

Australia's diplomatic footprint

Introduction

- 2.1 In this Chapter, the Committee discusses the geographical extent of Australia's diplomatic network (the breadth of the footprint); and the number of posts within a particular country (the depth of the footprint).
- 2.2 The diplomatic network has been criticised for not meeting Australia's interests in the 21st century. The Committee has received arguments for Australia to both open posts in new countries and to deepen the footprint in particular countries. The Committee also reviews how any expansion of the footprint might be funded.
- 2.3 As noted in Chapter 1 the footprint comprises Embassies, High Commissions and Consulates managed by DFAT and Austrade, as well as the offices of Honorary Consuls (although honorary consuls do not have diplomatic status).
- 2.4 The Chapter does not include a review of another aspect of the depth of Australia's diplomatic representation – the number of A-based staff at particular posts. This is discussed in Chapter Three, Staffing Issues.

Australia's current footprint

Value of diplomatic contacts

- 2.5 Several benefits arise from on-the-ground diplomatic representation as opposed to electronic communication and occasional diplomatic visits. These include:
- more effective communication and understanding;
 - enhancing business and trade links;
 - culturally appropriate interaction with the host country;
 - indicating to Australian business and the public Australian diplomatic support;
 - management of Australia's aid program; and
 - consular services.

Effective communication and understanding

2.6 DFAT's primary responsibility includes advancing the interests of Australia and Australians internationally through advocacy, developing relations with key partners and countries of significance to Australia's interests, and enhancing 'international awareness and understanding of Australia's policies and society to the benefit of our foreign and trade policy goals.' The work of Australia's diplomatic posts is key to achieving these objectives.¹

2.7 Former Director of the UN Division for Social Policy and Development, Professor John Langmore advised that personal interactions played an important role in diplomacy.

... the expenditure patterns of other states shows that they still judge that person to person contact continues to be vital in both ensuring effective understanding between states, and also in discerning and interpreting the meaning of communications from others. By failing to have sufficient overseas diplomatic representation, Australia risks failing both to communicate its own positions effectively and also to fully understand the policies of others.²

1 DFAT, *Submission No. 28*, p. 5.

2 Prof. John Langmore, University of Melbourne, *Submission No. 29*, p. 1.

- 2.8 This view was supported by the ACT Labor Foreign Affairs, Defence and Trade Committee (FADTC) who told the Committee that Australia needed to 'understand the currents and trends of thinking' in the region especially regarding China and middle powers such as South Korea, Vietnam and India. It was important to understand 'their trends and their thinking in order to best position ourselves'.³

Enhancing business and trade links

- 2.9 Austrade raised the concept of 'the badge of government' as often being invaluable to a company when it was seen to have received advice from Austrade and to have access to Austrade.⁴ The Lowy Institute for International Policy (Lowy Institute) also told the Committee that the attendance of government representatives at business meetings in many overseas countries was important to a meeting's commercial success.⁵
- 2.10 This view was supported by the Australia Gulf Council who told the Committee there was 'an inexplicable nexus between effective commercial activity and our diplomatic presence.'⁶

For example, doing business in the Gulf States is linked to government connections and networks, similarly with China, and it is often the case that you need to get in the door of government first before anything can happen in terms of business and then the doors really open up.⁷

- 2.11 The Australian Industry Group (AIG) and the ANZ Bank confirmed the value of DFAT opening doors with host governments.⁸ The ANZ Bank also commented that personal contact was important in building relationships:

... you build relationships and you build influence through relationships. I am not sure you build them over a telephone line or a videoconference in the long run. You need people on the ground. It can enhance it and quicken the pace. After you have had your initial dialogue and have met someone and known someone, you can possibly have a videoconferencing, which we

3 Mr Andrew Carr, *Transcript 10 February 2012*, p. 54.

4 Mr Peter Gray, CEO, *Transcript 10 February 2012*, p. 48.

5 Mr Andrew Shearer, Former Director of Studies, *Transcript 17 February 2012*, p. 14.

6 Hon. Michael Yabsley, Chief Executive, *Transcript 17 February 2012*, p. 40.

7 Ms Georgie Skipper, Director, Government and Corporate Affairs, *Transcript 17 February 2012*, p. 40.

8 Mr Innis Willox, Chief Executive Designate, *Transcript 27 February 2012*, p. 9; Mr Alex Thursby, CEO, Asia Pacific, Europe and America, *Transcript 23 February 2012*, p. 5.

do commercially. But in the end you still have to have regular face-to-face dialogue.⁹

Cultural appropriateness

- 2.12 The submission from the Department of Agriculture, Fisheries and Forestry (DAFF) emphasised the value of face-to-face communication in establishing relationships in emerging markets and especially where there may be cultural sensitivities:

The importance of communicating in person is relevant in countries where there may be cultural sensitivities and language barriers. In some countries it can be seen as insensitive to engage someone through non-visual communications, where body language is integral to building rapport.¹⁰

Providing assurance

- 2.13 Positioning a diplomatic post in a particular country can provide assurance to business that it is safe and worthwhile to engage, and encourage Australian tourists to visit.¹¹
- 2.14 Posts can also facilitate effective visits by Parliamentarians and Government Ministers. The Secretary of DFAT, a former Ambassador to the US, told the Committee:

I was in Washington and we got, on average, a ministerial visit every two weeks ... Parliamentary visits are really important, because you guys can connect in a way in which bureaucrats cannot connect. I have seen members of Parliament, from both sides of the aisle, interact with congressmen and women in a way in which I do not think it is possible for an official to do.¹²

- 2.15 Adverse signals can also be sent by closing diplomatic posts. The Lowy Institute cautioned that 'turning posts on and off is really damaging to us because it causes enormous resentment' and that careful strategic consideration was needed.¹³
- 2.16 There is also the risk that occasional ministerial visits can be seen as an alternative to a permanent diplomatic presence. The Lowy Institute
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9 Mr Alex Thursby, *Transcript 23 February 2012*, p. 7.

10 DAFF, *Submission No. 12*, p. 4.

11 Mr Andrew Carr, *Transcript 10 February 2012*, p. 54.

12 Mr Dennis Richardson, Secretary, DFAT, *Transcript 19 March 2012*, p. 9.

13 Mr Andrew Shearer, Former Director of Studies, *Transcript 17 February 2012*, p. 15.

commented:

... there is no substitute for having some smart, well-qualified people on the ground because you cannot build the relationships that you need to take advantage of the opportunities without that. ... There has been an assumption that a minister flying in once every two years can sort of get the relationships going and give you enough purchase in a country. I just do not think that is right ...¹⁴

- 2.17 A similar risk was created by having an Ambassador cross-accredited to a number of countries. This was because they were only able to visit countries where they were not resident once or twice a year.¹⁵

Criteria for the location of diplomatic posts

- 2.18 The Committee sought to gain an appreciation of the criteria which are used or could be used to determine where to site diplomatic posts.
- 2.19 The United Macedonian Diaspora (UMD) suggested that the priorities for locating diplomatic posts were set by the Foreign Minister or DFAT for 'political, cost-cutting and diplomatic reasons without any meaningful involvement of relevant stakeholders like parliamentarians, the corporate sector, diasporas and citizen diplomacy organisations'. There was often a mismatch, it suggested, between political and bureaucratic priorities and the priorities of key stakeholders. An example given by the UMD was the poor representation in Africa despite the Australian mining industry's priorities.¹⁶
- 2.20 The AIG, whose witness had been Chief of Staff to a former Foreign Minister, was unaware of any written criteria:

As you know, when you go into an [Expenditure Review Committee] meeting and put up a case for a new post, the first thing Finance say is: 'Why? What's the value? What's the net economic value of this?' And you have to argue that through. They take the view that, unless it is completely beyond argument that we have a need for a post in a certain place, we should not have it. ...

I do not think they have any objective evidence. ...

14 Mr Andrew Shearer, Former Director of Studies, *Transcript 17 February 2012*, p. 10.

15 Mr Jeff Hart, Special Adviser, Australia Africa Mining Industry Group, *Transcript 27 February 2012*, p. 3.

16 United Macedonian Diaspora, *Submission No. 7*, p. 7.

I think they have a very subjective, Finance view of the world. It is a trade-off. Why should we spend \$5 million here when we could spend it there?¹⁷

- 2.21 The AIG also raised the need to focus on the fundamental question of the national benefit of a post. Was it to gain information on the country 'which goes into government, into the bowels of DFAT and never gets heard of again?' Or were the intended outcomes commercial or consular?¹⁸
- 2.22 Several witnesses provided their view of criteria which might be important. Professor Langmore identified:
- where Australia's economic interests were strong;
 - where strategic interests were strong;
 - where it was very important there should be improved understanding of Australia; and
 - where it was very important that Australia understood what was happening in that country.¹⁹
- 2.23 The AIG identified:
- 'political and economic needs, current and future and a little bit in the past, too' ...;
 - trade links;
 - significant consular responsibilities;
 - historic ties; and
 - population flow.²⁰
- 2.24 DFAT provided six criteria:
- diplomatic and strategic importance, for example Brazil;
 - economic and trade;
 - strong people-to-people links, for example Malta;
 - global balance – the need for a global presence even if only thin;
 - particular issues, for example Cyprus where Australia has a significant police presence; and
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17 Mr Innes Willox, CEO Designate, AIG, *Transcript 27 February 2012*, p. 12.

18 Mr Innes Willox, *Transcript 27 February 2012*, p. 11.

19 Prof. John Langmore, *Transcript 23 February 2012*, p. 14.

20 Mr Innes Willox, *Transcript 27 February 2012*, p. 9.

- regional proximity, for example East Timor.²¹
- 2.25 To the list provided by DFAT, the Lowy Institute added aid expenditure.²²
- 2.26 No witness suggested that reciprocity of diplomatic representation warranted consideration. Indeed, the AIG said:
- No, there is no linkage. North Korea has one here; we don't have one there. Syria still has one here; we don't have one there. There are quite a few examples; that is just decisions they have made. ...
- You quite often hear from an ambassador from one of those types of countries where we do not have postings that they are here in fact to try and work out with us what is going on with our bigger neighbour to the west, with whom we are close. It is just part of a geopolitical decision to come here. We should not operate our foreign policy or diplomacy on that basis.²³
- 2.27 Both the AIG and the ANZ bank considered trade to be the priority.²⁴

Committee comment

- 2.28 Over the last three decades there has been continuous tightening of DFAT's budget. This has seriously compromised Australia's overseas network and its capacity to meet Australia's diplomacy needs in the 21st century.
- 2.29 The Committee recognises that the recommendations that follow in this report raise issues for the Budget. The Committee firmly believes that the Budget priority for Australia's overseas representation should be significantly raised because of the benefits that result.
- 2.30 There are strong reasons for on-the-ground Australian diplomatic representation. Such representation facilitates a deeper understanding of a country, allowing quicker and more informed responses to changing circumstances. It provides the ability to develop long-lasting networks, which in turn enhances Australian influence and the ability to effectively promote an understanding of Australia's position on international issues. Such relationships enhance Australia's trade and other interests, and allow for the provision of effective support for Australians travelling overseas.

21 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 2.

22 Lowy Institute, *Submission No. 48*, p. 16.

23 Mr Innes Willox, *Transcript 27 February 2012*, p. 9.

24 Mr Innes Willox, *Transcript 27 February 2012*, p. 11; Mr Alex Thursby, *Transcript 23 February 2012*, p. 4.

Recommendation 1

- 2.31 **The Committee recommends that Budget priority for overseas representation should be significantly raised because of the benefits that accrue from diplomacy.**
- 2.32 Australia is faced by a complex world of emerging influential nations and groupings, and their changing relations/alliances with existing world powers. The Committee considers there needs to be a clear strategy for Australia in this new environment to maximise potential benefits to Australia and reduce possible risks including those to Australians travelling overseas.
- 2.33 Australia needs to direct its diplomatic effort to countries where it can maintain its influence and trading position and also where it can take advantage of emerging opportunities. Identifying and clarifying this strategy should be the subject of a White Paper which should inform the criteria for opening continuing or closing diplomatic posts.
- 2.34 The Committee is not surprised that there appears to be no written or published set of criteria for opening diplomatic posts. Posts are opened for reasons of 'national interest' which is a broad criterion open to great variance in interpretation by different groups. Nevertheless, Australia needs to have a clearer understanding of the national interest criteria for establishing new diplomatic posts.
- 2.35 The Committee believes that establishing a new diplomatic post based on just one or two criteria is risky, unless these criteria are particularly strong. Risks arise because circumstances can change making the post ineffective and the funds invested in new diplomatic posts are essentially 'sunk costs', as explained later in this Chapter.
- 2.36 Opening posts should be accompanied by a detailed explanation of the reasons, as this provides transparency and sets an implied direction for the post and the means by which its performance can be judged.
- 2.37 The Committee believes there is value in the Government stating its long-term goals for its whole of government representation overseas. An appropriate vehicle would be the preparation of a White Paper. This should include discussion of the value to Australia of its overseas representation network, the criteria for establishing diplomatic posts, and the Government's priorities for expanding the network.

- 2.38 The Committee believes that such a White Paper would set the agenda for Australia's overseas representation into the 21st century and raise the profile of the overseas service by informing the public of the contribution to the national interest of its overseas representatives.

Recommendation 2

- 2.39 **The Committee recommends that the Government produce a White Paper to set the agenda for Australia's whole of government overseas representation. The White Paper should include, but not be restricted to:**

- a consideration of the value to Australia of its diplomatic network;
- criteria for establishing, continuing or closing diplomatic posts; and
- a statement of the Government's priorities for expanding the network.

- 2.40 The creation of a White Paper sets out a long-term vision for Australia's overseas representation, but the Committee considers there are major deficiencies which should be addressed in the medium to long term. These are discussed in the rest of this Chapter.

Distribution of diplomatic posts

Embassies, High Commissions, and Consulates

- 2.41 Information provided by DFAT and Austrade has been used by the Committee to provide an image of Australia's diplomatic footprint.
- 2.42 Table 2.1 is based on data from DFAT showing the distribution of diplomatic posts by geographical region,²⁵ and information showing the country location of DFAT managed diplomatic posts.²⁶ The number of countries in particular regions has been determined using DFAT's criteria. For example, Turkey is considered as being in Europe, and Afghanistan as being in the Middle East.

25 DFAT, *Submission No. 28*, p. 13.

26 DFAT, *Submission No. 28, Attachment A*, p. 29.

Table 2.1: Australia's diplomatic footprint

Region	Number of countries in the region	DFAT managed Embassies, High Commissions, and Consulates		Austrade managed Consulates		Countries where Australian diplomats are located	Diplomatic effort		Diplomatic coverage ***
		Number of posts	Countries where located #	Number of posts	<u>Additional</u> countries where located		Countries where located*	Number of posts**	
Europe	50	26	23	3	0	23	29%	27%	46%
S and SE Asia	19	21	17	0	—	17	22%	19%	89%
Pacific	23	11	10	1	0	10	13%	11%	43%
Middle East	14	9	8	1	0	8	10%	9%	57%
Americas	35	13	8	5	1	9	11%	17%	26%
Africa	55	8	8	0	—	8	10%	7%	15%
North Asia	6	7	3	4	1	4	5%	10%	67%
Central Asia	5	0	—	0	—	0	0%	0%	0%
TOTAL		95	77	14	2	79	100%	100%	—

Representation in Ramalla, Palestinian West Bank, and in Taipei, Taiwan is not included.

* The number of countries in the region where a post is located as a proportion of the 79 countries where Australia has posts.

** The number of posts in the region as a proportion of the total number (109) of Australian posts.

*** The number of countries in the region where a post is located as a proportion of the total number of countries in that region.

- 2.43 The Australian Consulates managed by Austrade are also included in the Table 2.1. This results in Australian diplomats being located in an additional two countries – Mongolia and Columbia.²⁷
- 2.44 Honorary consuls do not have diplomatic status. For this reason, Australia's Honorary Consulate network, while providing an on-the-ground presence in an additional 26 countries,²⁸ has not been incorporated into Table 2.1. Similarly, the locations of officials of Australian Government agencies and those of other jurisdictions have also been omitted from Table 2.1.
- 2.45 A measure of diplomatic effort in each geographical region has been attempted through calculating the number of countries in the region which has Australian diplomatic representation as a proportion of the total number of countries hosting Australian diplomatic missions, either through DFAT or Austrade.
- 2.46 A similar calculation has been made using the total number of Australia's diplomatic posts in a country because several countries have an Australian Embassy or High Commission together with several Consulates. A complicating factor is that four posts are dedicated to providing diplomatic representation to multilateral bodies such as the UN (2), the World Trade Organisation (1), and the Organisation for Economic Co-operation and Development (1).²⁹
- 2.47 As geographic regions have different numbers of countries, the proportion of the countries covered by Australian diplomatic posts has also been calculated to provide information on the diplomatic coverage of the region.

Committee comment

- 2.48 Table 2.1 provides a snapshot of Australia's diplomatic footprint. It shows that Australia's diplomatic effort, measured by proportion of DFAT and Austrade posts in the region, is highest in Europe followed by South and South-East Asia. On this measure, Australia's diplomatic effort is the lowest in Africa.

27 Austrade, *Submission No. 26, Attachment B*, p. 22.

28 DFAT, *Submission No. 28, Attachment B*, p. 33; Austrade, *Submission No. 26, Attachment C*, p. 22; *Government Response to the Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's relationship with the countries of Africa*, March 2012, p. 3.

29 DFAT, *Submission No. 28*, p. 13.

- 2.49 When measured on the basis of whether or not Australia has a diplomatic presence in a country, Australia's regional coverage is best in South and South-East Asia followed by North Asia and the Middle East. Africa and the Americas are the least covered regions.
- 2.50 The Committee notes that the Table does not provide an accurate indication of the depth of engagement with the region (discussed later in this Chapter) as it does not show the size of diplomatic posts or the expertise and experience of staff. It does, however, reflect to some degree Australia's focus on Asia.
- 2.51 The poor coverage of Africa shown by both the number of posts and regional coverage seems incompatible with Australia's increasing interests in Africa.
- 2.52 The Committee notes that the size of Australia's diplomatic network ranks 24th out of the 35 OECD countries. This is discussed later in the chapter.

Honorary Consulates

- 2.53 A way of extending Australia's representation, albeit not at the diplomatic level, is through the appointment of honorary consuls.
- 2.54 Honorary consuls are usually a private businessperson (mostly an Australian citizen) who agrees to perform limited consular functions on a part-time basis, in a city where Australia does not have an Australia-based representative. Such appointments assist in extending Australia's consular coverage in areas which are not within close proximity to Australia's regular overseas missions. Suitable candidates are identified by DFAT and are recommended to the Minister for Foreign Affairs who makes the appointment.
- 2.55 DFAT told the Committee that while honorary consuls did not have the same standing with the host country as an ambassador, consul general or consul, in some situations they were 'really important and really valuable in being able to represent you and wave the flag more widely than you could otherwise do and therefore increase your representational reach.' DFAT added:

Normally, an honorary consul gets a small amount of money a year. They are normally someone of considerable standing in their own community, in their own country. They normally have another job, so being an honorary consul is an add-on to what they

otherwise do. They are not looking at it occupying a big part of their time.³⁰

- 2.56 The United Macedonian Diaspora agreed that honorary consuls were 'used by many countries as a way of reaching out to various societies with minimal investment.' If they were provided with resources they could initiate 'high impact projects', but 'without funding it is just talk and very little action.'³¹
- 2.57 The Australian Industry Group was not convinced as to the value of honorary consuls – the witness doubted whether they had 'much effect at all in a real, overall sense, except [as] a feel good factor.'³²
- 2.58 Turning to a specific region, the Australia Africa Mining Industry Group (AAMIG) commented that there were 'fewer honorary consuls in Africa than anywhere else.' This was because there were insufficient government resources on the ground for a successful honorary consul appointment initiative.³³
- 2.59 During its inquiry into Australia's relationship with the countries of Africa, the Committee received positive comments regarding the success of honorary consuls in Mozambique and Angola.³⁴
- 2.60 Recognising the need to increase Australia's representation in Francophone Africa and elsewhere on the continent, the Committee recommended that as a short to medium term measure, the number of honorary consuls appointed in African countries should be increased.³⁵
- 2.61 The Government agreed with the recommendation and advised in March 2012, that there were now five Honorary Consulates operating in Africa;³⁶ one temporarily closed;³⁷ and five more at various stages of being established.^{38,39}

30 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 6.

31 Mr Ordan Andreevski, Director, Australian Outreach, *Transcript 23 February 2012*, p. 22.

32 Mr Innis Willox, Chief Executive Designate, *Transcript 27 February 2012*, p. 12.

33 Mr Jeff Hart, Special Adviser, *Transcript 27 February 2012*, p. 4.

34 Hon. Kerry Sibraa, former President of the Senate, High Commissioner to Zimbabwe, and Honorary Consul-General in Australia for Mozambique, *Africa Inquiry Transcript 28 April 2010*, p. 3.

35 JSCFADT, *Inquiry into Australia's relationship with the countries of Africa*, Recommendation 3, June 2011, p. 29.

36 Angola, Botswana, Mozambique, Nigeria (Lagos), Uganda.

37 South Africa (Cape Town).

38 Cameroon, Namibia, Tanzania, Malawi, Zambia.

39 *Government Response to the Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's relationship with the countries of Africa*, March 2012, p. 4.

Criticisms of Australia's footprint

- 2.62 Debate concerning the adequacy of Australia's diplomatic footprint has been underpinned by two reports by the Lowy Institute:
- *Australia's diplomatic deficit: reinvesting in our instruments of international policy*, March 2009; and
 - *Diplomatic Disrepair: rebuilding Australia's international policy infrastructure*, August 2011.
- 2.63 The first report suggested that Australia's diplomatic network had not kept pace with Australia's 'interests or with a changing world. ... overseas representation compared very poorly with almost all other developed nations', and was constraining DFAT's ability 'to understand, interpret and influence Australia's rapidly changing external environment.'⁴⁰
- 2.64 The second report acknowledged some improvements in the situation such as the broadening of the footprint by establishing posts in Ethiopia and Peru; and deepening the footprint for example by opening Consulate-General posts in India and increasing overseas staff numbers. Funding had increased as well as language training for diplomats.⁴¹
- 2.65 The report, however, remained critical:
- Australia has the smallest diplomatic network of all G20 nations, and only nine of the 34 OECD countries (all far smaller than Australia) have fewer diplomatic missions. ...
- The average number of posts for an OECD nation is 133. Australia has only 95, and sits at 25th of 34 nations in the OECD league table of diplomatic representation – numbers which are wholly incompatible with Australia's standing in the world.⁴²
- 2.66 The Lowy Institute's submission concluded:
- Our traditional diplomatic footprint is simply outdated and inadequate. ... Australia is over-represented with missions in Europe compared with higher priority regions.
- New posts are needed in emerging centres of influence and economic opportunity, particularly inland China and Eastern Indonesia – both increasingly important to Australia. The Gulf,

40 Lowy Institute, *Submission No. 15*, p. 3.

41 Lowy Institute, *Submission No. 15*, p. 5.

42 Lowy Institute, *Submission No. 15*, pp. 6, 7.

Latin America and Central Asia are also priorities. ... Our 2009 recommendation in *Diplomatic deficit* that Australia should open 20 new missions over the next decade stands.⁴³

2.67 Witnesses from the Lowy Institute told the Committee that Australia was heading into a much more complex international environment with the emergence of new powers, increasing competition for scarce resources, and extraordinary global economic instability. Some of Australia's neighbours were coming under growing stress and strain.⁴⁴ In contrast, Australia's diplomatic footprint was:

... still very much that of the 1980s when we were focused, rightly, on North Asia and to a lesser extent on South East Asia. If you look at places like Francophone Africa, in particular, where a lot of the big miners are, they are operating in a vacuum. ... there should be some alignment of our resources with our emerging economic opportunities.⁴⁵

2.68 The Lowy Institute commented that an increase of 20 posts recommended in its report was below the 35 posts which would be needed to restore Australia to the middle of the OECD table.⁴⁶

2.69 The AAMIG compared the diplomatic effort of the G20 country South Africa with Australia:

South Africa, with a GDP of \$354 billion in 2010 has a total network of 117 overseas posts, including 102 embassies or high commissions. Australia, with the GDP of \$1.22 trillion, has a diplomatic network of 108 posts, with 80 embassies or high commissions. It is hard not to conclude that South Africa attaches far more importance to its engagement with the rest of the world to secure its interests than does Australia.⁴⁷

2.70 The ACT Labor FADTC commented that Australian mining companies had a large number of projects in Africa and significant investment, yet countries such as Zambia, Tanzania, Botswana and Angola with substantial Australian mining operations, had no Australian diplomatic missions.⁴⁸

43 Lowy Institute, *Submission No. 15*, p. 15.

44 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 8.

45 Mr Andrew Shearer, *Transcript 17 February 2012*, pp. 13–14.

46 Ms Alex Oliver, *Transcript 17 February 2012*, p. 10.

47 AAMIG, *Transcript 27 February 2012*, p. 2.

48 ACT Labor FADTC, *Submission No. 18*, p. 6.

- 2.71 Professor Langmore agreed that Australia was underrepresented in Africa, as well as in Latin America.⁴⁹
- 2.72 The ACT Labor FADTC also drew attention to the fact that Australia's representation to China, India, Indonesia, Vietnam was collectively equal to Australia's presence in the United States alone. Also, while the number of Australian diplomatic missions in Europe (25) and was almost the same as to East Asia, South Asia and ASEAN combined (28), trade to the EU accounted for only 14 per cent of Australia's foreign trade compared to almost 70 per cent in the Asia-Pacific. This mismatch was made worse by the fact that 45 per cent of Australia's trade with the EU was with the UK.⁵⁰
- 2.73 This view was supported by the ANZ bank which suggested:
- ... consideration should be given to reallocation of resources to align Australia's diplomatic representation with our economic and strategic interests as a country. To be a little more candid about it: it may be less in Europe and North America and more in the Asia-Pacific region.⁵¹
- 2.74 Notwithstanding the criticisms of Australia's current diplomatic footprint, both DAFF and Defence indicated they were content with the current situation.⁵²
- 2.75 In contrast, both Austrade and the Department of Innovation, Industry, Science, Research and Tertiary Education said they would benefit from an increase in DFAT's diplomatic network.⁵³

Consequences of an inadequate diplomatic footprint

Opportunities lost

- 2.76 The Committee challenged the witnesses from the Lowy Institute to provide examples of opportunities lost to Australia arising from its relatively small diplomatic network.

49 Prof. John Langmore, *Transcript 23 February 2012*, p. 13.

50 ACT Labor FADTC, *Submission No. 18*, p. 6.

51 Mr Alex Thursby, *Transcript 23 February 2012*, p. 2.

52 Ms Jo Evans, First Assistant Secretary, Trade and Market Access Division, *Transcript 10 February 2012*, p. 18; Mr Peter Jennings, Deputy Secretary, Strategy, *Transcript 10 February 2012*, p. 31.

53 Mr Peter Gray, Chief Executive Officer, *Transcript 10 February 2012*, p. 47; Mr Colin Waters, Head, International Education Division, *Transcript 10 February 2012*, p. 40.

- 2.77 The witnesses responded in a supplementary submission by pointing to the diplomatic standing of small European countries such as Norway, Sweden and Finland.⁵⁴
- 2.78 More recently Argentina and South Africa had achieved considerable success internationally – Argentina had been included in the G20 despite its 27th position in economic importance; and South Africa had been recognised for its work on democratisation, reconciliation and nuclear non-proliferation despite its mixed record in peacekeeping and lack of intervention in African conflicts.
- Argentina has 144 diplomatic missions globally, and South Africa has 117. They are ranked, respectively, the 27th and 28th largest economies in the world – around a quarter of the size of Australia's economy.⁵⁵
- 2.79 The Lowy Institute also suggested that diplomatic success might be measured by the nation's leadership records in key multinational organisations:
- ... it is apparent that many of the smaller OECD and G20 nations have gained significant traction in the principal organs of the global governance framework: the UN Security Council, the International Monetary Fund, the World Trade Organisation, the World Health Organisation, the International Court of Justice, the UN Development Programme, the International Atomic Energy Agency and the UN Economic and Social Council.
- The nations which recur frequently in these lists are Argentina, Belgium, Chile, Mexico, Portugal, South Africa, Poland, Netherlands, Denmark, Norway, Turkey, Sweden, Austria, Korea and Switzerland.** These are all nations with smaller economies but larger overseas networks than Australia. By comparison, Australia's representation on these lists is slight.⁵⁶
- 2.80 It was acknowledged that while such a comparison was an imperfect measure because of other influencing factors,⁵⁷ there were no perfect measures of diplomatic success.⁵⁸ The Lowy Institute concluded that:

54 Lowy Institute, *Submission No. 48*, pp. 2-3.

55 Lowy Institute, *Submission No. 48*, p. 3.

56 Lowy Institute, *Submission No. 48*, p. 3. Emphasis provided by the Lowy Institute.

57 For example, Australia's inclusion in the UN Western European and Others Group had impeded Australian bids for a UN Security Council seat because 'almost every election is highly competitive' in contrast to other groupings. Lowy Institute, *Submission No. 48*, p. 3.

58 Lowy Institute, *Submission No. 48*, p. 3.

It remains impossible to provide the Committee with irrefutable proof that Australia would have been better served with a more comprehensive foreign presence.

However, in the absence of such unattainable proof, the quantitative analysis ... which correlates overseas representation against senior positions in key international organisations, is an available concrete measure of these opportunity costs.⁵⁹

Benefits of a deeper engagement

2.81 An example outlining the benefits of a deeper engagement was provided by the AAMIG. Nigeria is Canada's largest sub-Saharan trade partner with two-way trade in 2011 amounting to \$2.7 billion. In contrast Australia's two-way trade with Nigeria in 2010 was \$302 million, largely comprising Nigerian exports of crude oil to Australia.

2.82 In 2003, Export Development Canada returned to Nigeria and was based in the Canadian Lagos Consulate. Since that time Canadian exports to the country had increased by 'more than 300 per cent.' The AAMIG concluded:

All in all we could say that the levels of Australian and Canadian commercial engagement with Nigeria do reasonably parallel the respective levels of government engagement in the country.⁶⁰

Committee comment

2.83 The Committee agrees with the Lowy Institute that Australia's overseas diplomatic representation is less than it should be for a nation which is a member of the G20 and OECD. DFAT, in fact, has acknowledged that the Lowy Institute 'is not telling the department anything it does not know, and ... is not saying anything that the Department itself has not been drawing attention to.'⁶¹

2.84 The Committee agrees that it is impossible to demonstrate the missed opportunities resulting from a sparse diplomatic network. The evidence that Australia has not often enjoyed a leadership position in world bodies provided by the Lowy Institute, however, goes some way in providing evidence of such missed opportunities.

59 Lowy Institute, *Submission No. 48*, p. 9.

60 AAMIG, *Submission No. 53*, p. 2.

61 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 2.

- 2.85 Australia should not shirk from putting itself forward for leadership in world bodies. This is precisely what a middle power would be expected to do. Australia has a substantial economy and if it wishes to cement its position as an influential middle power it should have a diplomatic network to match.
- 2.86 The Lowy Institute noted that its recommendation of an increase of 20 diplomatic posts was well below the 35 needed to bring Australia to the middle of the OECD table. The Committee believes such a goal is achievable and worthwhile in the medium term as Australia restores its budget to surplus.

Recommendation 3

- 2.87 **The Committee recommends that, in the medium term, Australia should substantially increase the number of its diplomatic posts to bring it to a level commensurate with its position in the G20 and OECD economies. This increase should be by at least twenty posts.**

Funding an expanded footprint

Costs associated with opening and closing diplomatic posts

- 2.88 DFAT told the Committee that opening a post 'costs a fair amount of money in the first four years.'⁶² It included a one-off capital setup cost:
- ... to fit out and secure the Chancery as well as Head of Mission and staff residences, and to purchase the equipment needed to operate the post (e.g. motor vehicles, computers). This would generally be spent over the first 12 months.⁶³
- 2.89 In contrast, DFAT added:
- Closing a mission saves very little, the reason being once you have got a mission up and running your running costs are quite low. It might cost you \$25 million over three or four years to open a post,

62 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 6.

63 DFAT, *Submission No. 51*, p. 1.

but if, 10 years later, you were to close that post you would probably only save about \$2 million a year.⁶⁴

Closing diplomatic posts and reallocating resources

2.90 The AIG suggested that there needed to be a 'hard-headed rigorous analysis' of the value of Australia's diplomatic posts, especially the smaller ones:

... do they provide benefit or ... are you better off bringing them back closer to home to the markets that matter while perhaps putting consulates or other offices in those markets?⁶⁵

2.91 The value of posts in Malta, Denmark and Hungary was questioned.⁶⁶ Support for closing Hungary was provided by Mr Kerry Fisher who added Portugal to the list. He advocated closing those two posts and opening Norway and Ukraine.⁶⁷

2.92 The AIG acknowledged that closing embassies would 'annoy some of our old historical friends and partners'.⁶⁸ The Lowy Institute too suggested that careful strategic consideration should be given to closing embassies because 'turning posts on and off is really damaging to us because it causes enormous resentment.'⁶⁹ The need for consistency and 'greater strategy' was also advocated by ACT Labor FADTC.⁷⁰

2.93 An innovative solution canvassed by the Committee was the creation of a 'super embassy' to the EU countries situated in Brussels with a rationalisation of the posts in the various EU countries.

2.94 The AIG responded that it was 'theoretically possible', but had not been tried before. A key issue would be where to site the post – whether in Brussels, Geneva, Berlin, or Paris:

Brussels is the headquarters of Europe, but they are still covered off in each of those markets. I think that is a hard one because these are still separate economies of scale, and each have cultural differences – different ways of doing business, different approaches to the globe. I think we need to respect that and take it

64 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 6.

65 Mr Innes Willox, *Transcript 27 February 2012*, p. 11.

66 Mr Innes Willox, *Transcript 27 February 2012*, p. 14.

67 Mr Kerry Fisher, *Submission No. 1*, p. 2.

68 Mr Innes Willox, *Transcript 27 February 2012*, p. 14.

69 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 15.

70 Mr Andrew Carr, *Transcript 10 February 2012*, p. 52.

seriously. But some of the smaller, what I would say were more satellite posts in Europe, you might want to have a hard-headed look at.⁷¹

2.95 DFAT responded to the concept of a super embassy in Brussels:

I think it is bizarre and fails to understand the nature of the EU and the nature of the relationship between the members of the EU and Brussels. You would not be able to do the bilateral work that you need to do with countries such as France, Germany and the like by doing it through Brussels. They simply would not wear it. If you are a small country with very few resources then that would make sense, but not a country of our size.⁷²

2.96 DFAT provided further information in a supplementary submission:

To downgrade an already existing Embassy/High Commission to a Consulate-General/Consulate would risk harming relations and affect diplomatic protections/privileges for posted staff. It also requires the permission of the host country, most of who are unwilling to host Consulate-General/Consulates in their capital cities. ...

It would not be at all practical to try to manage our relations with the major European powers, including the UK, Germany and France, remotely from Brussels. Given the very broad scope of our engagement with those countries, our diplomatic missions need to engage with, and develop a network of contacts in, a wide range of government and non-government actors. That could not realistically be done from another country.⁷³

2.97 In a supplementary submission, the Lowy Institute indicated it did not support the closing of Australian diplomatic posts. It drew attention to DFAT's evidence indicating the small savings gained from closing a post when compared to opening one, and commented:

Given the now wider acknowledgement of the thinness of Australia's overseas representation, the closing of posts is not a viable option and is a threat to Australia's interests.⁷⁴

71 Mr Innes Willox, *Transcript 27 February 2012*, p. 13.

72 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 2.

73 DFAT, *Submission No. 45*, pp. 12-13.

74 Lowy Institute, *Submission No. 48*, p. 17.

Taking funds from other portfolios and programs

2.98 Professor John Langmore suggested there needed to be a more holistic approach to the funding of Australia's overseas related expenditure such as 'defence, diplomacy, intelligence and aid.'⁷⁵ A paper reviewing the 2009 Australian Defence White Paper suggested that it was a fundamental misjudgement to treat defence as 'a silo remote from other aspects of foreign policy.' It prevented discussion of the 'relative priority and weight given to other aspects of foreign policy'. As well:

Increasing conventional capabilities do little to equip Australia to be active in setting international conditions in its favour. Rather increased military spending resembles an insurance policy that Australia may hope to defend itself if the international system deteriorates.⁷⁶

2.99 Professor Langmore noted that in the May 2010 Budget, Defence funding was budgeted to increase by \$1.57 billion which was greater than DFAT's total annual budget. The intelligence community was also being financed at about the same level as DFAT.⁷⁷

2.100 DFAT did not support Professor Langmore's suggestion:

... I do not believe increased funding to DFAT should be at the expense of Defence. I have stated that publicly, so my own personal view – others would disagree with me – is that Defence just happens to cost a lot of money. ...

I think 1.9 per cent of GDP is not an unreasonable amount for a country in our strategic circumstances to be spending on defence.⁷⁸

2.101 An alternative way to increase funding of DFAT – by taking from increases to the aid budget – was suggested by the Lowy Institute:

... we are looking at increasing aid from 0.35 per cent [gross national income] to 0.5 per cent GNI over the next four years – that could be delayed or you could take a tiny percentage of that growth.

We are not talking about cutting existing programs ... If you took just six percent of the growth over the next four years of the aid

75 Prof. John Langmore, *Transcript 23 February 2012*, p. 13.

76 *Exhibit No. 3, The 2009 Australian Defence White Paper: Analysis and Alternatives*, John Langmore, Calum Logan, Stuart Firth, Nautilus Institute Australia, September 2010, p. 7.

77 Prof. John Langmore, *Submission No. 29*, p. 2.

78 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 6.

budget which is going from \$4 billion to \$8 billion, you could take, say, \$200 million of the money and open five new posts.⁷⁹

2.102 AusAID responded:

... we are a substantial donor but we are not overly generous. The OECD average of the donors, ... is 0.49 per cent of GNI. We are currently at 0.35 percent of GNI, and the target we have been set and which has bipartisan support is to get to 0.50 of GNI. That will place us, when we achieve that, at 0.01 above the OECD average. If you look at the OECD donors, we are the only one physically located in the developing world. Twenty-two of our 24 closest neighbours are developing countries. ...

We provide approximately 50 per percent of all aid that goes to Pacific island countries. ... their development prospects are long-term at best. We have an ongoing and enduring responsibility to engage with that region and to engage on the issues that are important to them, which are development issues. ... trying to convey that somehow the aid budget is over generously provisioned is wrong ...⁸⁰

User-pays

2.103 The Committee canvassed the seeking of funds from those businesses who benefit from DFAT's overseas diplomacy. The AAMIG responded that it suspected the mining industry 'would say they already pay their fair share of taxes and therefore have the right to get something back for them.'⁸¹

Committee comment

2.104 The Committee recognises current budgetary constraints mean that substantially increasing DFAT's funding for diplomacy would be difficult. The Committee also considers it unrealistic to expect DFAT to increase Australia's diplomatic network from reallocating its existing resources.

2.105 Evidence from DFAT concerning the cost of opening a post and the financial benefit due to closing a post show that on economics alone it is not feasible to close embassies to save enough funds to open another – on DFAT figures about 10 embassies would need to close to open just one new post.

79 Ms Alex Oliver, *Transcript 17 February 2012*, p. 10.

80 Mr Peter Baxter, *Transcript 17 February 2012*, pp. 32–3.

81 Mr Jeff Hart, *Transcript 27 February 2012*, p. 3.

- 2.106 The Committee agrees with the Lowy Institute that embassies should not be closed, rather new posts should be opened so there is a net increase in the diplomatic footprint.
- 2.107 The Committee also agrees with DFAT that creating a super-embassy to cover a number of countries is not a practical option.
- 2.108 The Committee also considers it impractical to obtain funds from businesses and individuals who might benefit from increased diplomacy. Placing a value on the potential benefit of increased diplomatic representation and apportioning it to various businesses and individuals is not possible.
- 2.109 The Committee believes that as the Government's budgetary situation permits, DFAT should receive increased funds. The goal should be to provide DFAT with a fixed percentage of GDP sufficient to enable it to create an appropriately sized diplomatic network.

Recommendation 4

- 2.110 **The Committee recommends that the Department of Foreign Affairs and Trade's funding be increased in the long term to a set percentage of gross domestic product sufficient for the creation of a diplomatic network appropriate to Australia's standing in the G20 and OECD.**

Specific proposals for expanding the footprint

- 2.111 The Committee received a number of proposals for Australia to open posts in additional countries thereby broadening the diplomatic footprint. Deepening the footprint by increasing the number of posts within particular countries is discussed later in this Chapter.
- 2.112 The Committee was impressed by the range of interest shown and the arguments which were put.

Africa

- 2.113 The AAMIG advised the Committee that Africa was experiencing growth in the natural resources sector. The continent had 30 per cent of global mining resources, but currently received only five per cent of global exploration expenditure. There were at least 230 Australian resource

sector companies active in the continent undertaking 650 individual projects in 42 countries:

The total investment is at least \$24 billion with many more billions in the pipeline. ...

But the relatively few Australian officials on the ground has to mean that significant Australian interests in many countries of non-resident accreditation can only receive relatively modest attention or attention at the expense of other significant priorities. Major Australian mining engagement in countries of non-resident accreditation include Guinea, the Democratic Republic of Congo, the Republic of Congo, Burkina Faso, Niger and Cameroon.⁸²

- 2.114 In addition, there was only one A-based Austrade post in Africa as opposed to four in Latin America.⁸³ Anomalously, the positions in Latin America included a mining specialist trade commissioner despite there being 70 ASX mining companies in Latin America as opposed to 230 ASX mining companies working in Africa.⁸⁴
- 2.115 The AAMIG recommended that Australia establish an embassy in Francophone Africa and also significantly strengthen its Austrade presence in the continent.⁸⁵
- 2.116 The AAMIG subsequently told the Committee that Senegal followed by Côte d'Ivoire would be good candidates for a new mission, although the latter country 'had some issues'. Opening a purely Francophone post would also provide some relief to the posts in Ghana and Nigeria allowing them to give more attention to their other accredited countries.⁸⁶
- 2.117 The Lowy Institute also noted that Australia was not represented in Mozambique and Tanzania which were in the top six Australian export destinations in Africa. It suggested that based on Australia's mining interests two other countries worth considering for new posts were Zambia and Botswana.⁸⁷
- 2.118 The view from the ANZ Bank was that Africa was 'appreciably changing' and was an area where the Australian brand could grow:

82 AAMIG, *Submission No. 20*, pp. 3–4.

83 Austrade has offices in Accra, Ghana; Nairobi, Kenya; and Johannesburg, South Africa – the South African post is the only A-based post. Austrade, *Submission No. 26*, p. 23.

84 AAMIG, *Submission No. 20*, p. 4.

85 AAMIG, *Submission No. 20*, p. 4.

86 Mr Jeff Hart, *Transcript 27 February 2012*, p. 5.

87 Ms Alex Oliver, Mr Andrew Shearer, *Transcript 17 February 2012*, p. 16.

It is an area where there is a lot that Australia can offer with its expertise, particularly in the mining sector, and our mining corporations have been the forerunners in investing in there and running the risks that are associated. So Africa would possibly be for us the second stage after we build our Asia business to a really substantive level.⁸⁸

- 2.119 In contrast to these views, the AIG suggested that beyond South Africa, Africa was of 'marginal interest'.⁸⁹
- 2.120 During its review of Australia's relationship with the countries of Africa, the Committee received much evidence proposing the opening of additional posts in Africa and in particular French speaking West Africa. As part of the inquiry, a delegation from the Committee also visited South Africa, Zimbabwe, Ghana and Ethiopia. This visit helped to inform the Committee's views on Australia's representation in Africa.
- 2.121 The Committee subsequently recommended that DFAT undertake a comprehensive review of Australia's diplomatic representation in Africa with a view to opening an additional post in Francophone Africa.⁹⁰
- 2.122 The Committee notes that DFAT has acknowledged that Australia was 'underdone in Africa' and that 'there would be some merit in further representation in Africa, noting that we have no representation in French speaking Africa at all.'⁹¹
- 2.123 The Government confirmed this view in agreeing to the Committee's recommendation:
- The Government sees value in the establishment of an additional diplomatic post in Francophone Africa. The composition of the network of diplomatic posts overseas is under constant review and the Government will pursue the establishment of a new post in the region as soon as possible.⁹²
- 2.124 In May 2012, the Government announced that a new embassy would be opening in Senegal.⁹³
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88 Mr Alex Thursby, *Transcript 23 February 2012*, p. 6.

89 Mr Innes Willox, *Transcript 27 February 2012*, p. 10.

90 JSCFADT, *Inquiry into Australia's relationship with the countries of Africa*, Recommendation 1, June 2011, p. 29.

91 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 2.

92 *Government Response to the Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's relationship with the countries of Africa*, March 2012, p. 3.

93 Senator the Hon Bob Carr, Minister for Foreign Affairs, *Media Release, Opening of new Embassy in Senegal*, 9 May 2012.

Morocco

2.125 The Committee received evidence from the Ambassador for the Kingdom of Morocco putting forward the advantages of Australia opening an embassy in Morocco. The reasons provided included:

- Morocco was a 'very stable country' in the Arab Maghreb; it was a multi-party state with elections and where 'there are alternatives between political parties who wish to rule'.⁹⁴
- There were 'more than 100 international representations in Morocco between embassies and international organisations.' Rabat was one of the African capitals with the highest number of embassies including all the members of the G20.⁹⁵
- Morocco had very good transport infrastructure including the trans-Saharan road and good connection by ferries to Europe and the West African coast.⁹⁶
- Morocco could provide a hub for the delivery of humanitarian aid to third countries in North Africa.⁹⁷
- Morocco had a very good investment climate with the possibility of 100 per cent foreign ownership of companies and generous tax benefits to companies which exported goods from Morocco. There was also the opportunity to take advantage of free trade agreements with other countries and groupings such as the EU, US, Egypt, Tunisia, Jordan and in the 'near future' all the Gulf Cooperation Council countries.⁹⁸
- Morocco was the second major African investor in the continent after South Africa. It was the first investor in West Africa. Half of Morocco's foreign investments were in Africa.⁹⁹
- Morocco had an active education sector providing education to '8000 students from 42 African countries, 6500 of whom are granted scholarships by the Moroccan government.'¹⁰⁰
- Some '33,000 Australian tourists visit Morocco every year' and there is a corresponding demand for consular services.¹⁰¹

94 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 30.

95 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 27.

96 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 28.

97 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 29.

98 Ambassador of the Kingdom of Morocco, *Submission No. 10*, p. 3.

99 Ambassador of the Kingdom of Morocco, *Submission No. 10*, p. 3.

100 Ambassador of the Kingdom of Morocco, *Submission No. 10*, p. 3.

2.126 AusAID commented that if it continued to expand in Africa it would need a Maghreb hub:

We have just opened in Cairo last year as a result of the so-called Arab spring, and there is a lot more work that we are doing there to support the transition to democracy. It may be that that is something that is needed in the future.¹⁰²

2.127 When questioned by the Committee, DFAT responded that an embassy in Morocco would increase Australia's capacity to engage with 'a significant player in North Africa, including in the Arab League and the Organisation of Islamic Cooperation.'¹⁰³

2.128 On the other hand, DFAT noted, 'opening an embassy in Rabat could raise expectations among Morocco's neighbours for similar resident Australian representation.'¹⁰⁴

2.129 The AAMIG which represents the Australian mining sector in Africa also responded to the question of whether an embassy should be opened in Morocco. It said that it was more a question for the Australian ambassador in France, but if a choice was to be made it would instead 'choose a sub-Saharan Francophone post.'¹⁰⁵

Latin America

2.130 In its submission, the Lowy Institute identified Latin America as one of a number of emerging centres of influence and economic opportunity and suggested it should be a priority of opening new posts,¹⁰⁶ even though it had noted that Australia had recently reopened a post in Lima, Peru.¹⁰⁷

2.131 Professor Langmore also identified Latin America (along with Africa) as being a region where Australia was 'severely under represented'.¹⁰⁸

2.132 The Committee received a submission from the Venezuelan Embassy which suggested opening an Australian post in Venezuela would 'provide

101 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 26.

102 Mr Peter Baxter, Director General, *Transcript 17 February 2012*, p. 35.

103 DFAT, *Submission No. 45*, p. 5.

104 DFAT, *Submission No. 45*, p. 5.

105 Mr Jeff Hart, *Transcript 27 February 2012*, p. 5.

106 Lowy Institute, *Submission No. 15*, p. 15.

107 Lowy Institute, *Submission No. 15*, p. 5.

108 Prof. John Langmore, *Transcript 23 February 2012*, p. 13.

a better service for Venezuelan migrants coming to Australia' and would strengthen relations between the two countries.¹⁰⁹

2.133 The AAMIG did not support opening a post in Venezuela, but rather Colombia:

... if we open another post in that region we should go into Colombia, not into Venezuela. I think we opened the post in Venezuela in 1975. ... There was a lot of oil. ... Venezuela is a complicated country and now there are a lot of political issues in Venezuela, but it has never been a driving force in Latin America.

If you look at the Northern region – Venezuela, Colombia, Ecuador – you would say that Colombia is the key country.¹¹⁰

Europe

2.134 The Committee received a number of submissions and received evidence from witnesses advocating the opening of embassies in several European countries.

2.135 These included brief submissions from the Embassy of the Czech Republic,¹¹¹ and the Embassy of the Slovak Republic.¹¹²

Ukraine

2.136 The Ukrainian Charge d'Affaires supported by the Australian Federation of Ukrainian Organisations (AFUO) and the Ukrainian Youth Association of Australia (UYAA) called for Australia to open an embassy in Kyiv. Reasons provided included:

- Ukraine was the biggest country of the former USSR outside of Russia and was strategically important in the region;¹¹³
- with 46 million consumers, Ukraine was the biggest market in Eastern Europe and presented huge potential for trade and investment;¹¹⁴
- levels of trade had fluctuated in recent years and an embassy would foster business and investment links;¹¹⁵

109 Bolivarian Republic Venezuela Embassy in Australia, *Submission No. 11*, p. 1.

110 Mr Jeff Hart, *Transcript 27 February 2012*, p. 6.

111 Embassy of the Czech Republic, *Submission No. 5*, p. 1.

112 Embassy of the Slovak Republic, *Submission No. 6*, p. 1.

113 AFUO, *Submission No. 13*, p. 3.

114 AFUO, *Submission No. 13*, p. 4.

115 Mr Stanislav Stashevskyi, Charge d'Affaires, *Transcript 17 February 2012*, p. 44.

- there was a potential for significant numbers of full fee paying Ukrainian students to study in Australia;¹¹⁶
- there were increasing numbers of Australians visiting Ukraine for tourism and business reasons;¹¹⁷
- Ukrainians had to obtain Australian visas from Australia's post in Moscow – this was inconvenient and a disincentive;¹¹⁸
- an Australian post in Kiev would provide more accurate travel alerts – DFAT issued travel alerts had been disputed 'on numerous occasions';¹¹⁹
- there were close people-to-people links between the two countries;¹²⁰
- of the G20 countries, only Australia did not have an embassy in Kyiv;¹²¹ and
- an embassy would provide support for human rights in Ukraine and send a message to the region.¹²²

2.137 Regarding human rights, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy published a country progress report for the Ukraine in May 2012. The report, commenting on the political dialogue and reform, included:

The area of deep and sustainable democracy experienced a further deterioration in 2011. Several leading opposition figures, including former Prime Minister Tymoshenko, were subjected to selective justice, characterised by un-transparent judicial processes. ...

Authorities are increasingly hostile to public displays of discontent and on occasions tried to limit freedom of assembly. Concerns are also expressed regarding the future of media freedom.

Despite the adoption of a National Anti-Corruption Strategy in October, corruption perception remains high. Conditions for business and investment has further deteriorated.

116 UYAA, *Submission No. 37*, p. 1.

117 Embassy of Ukraine, *Submission No. 8*, p. 3.

118 Mr Stanislav Stashevskiy, *Transcript 17 February 2012*, p. 47.

119 AFUO, *Submission No. 13*, p. 11.

120 Mr Stanislav Stashevskiy, *Transcript 17 February 2012*, p. 45.

121 Mr Stanislav Stashevskiy, *Transcript 17 February 2012*, p. 48.

122 AFUO, *Submission No. 13*, p. 10.

Cases of discrimination on the basis of nationality or ethnic origin continue to be reported. Roma, Crimean Tartars, as well as other minority groups are affected.¹²³

2.138 DFAT advised that an Australian embassy in Kyiv:

... could enhance Australia's trade and investment outcomes through a presence in a key European growth economy with large, developing natural resource reserves [and] also increase engagement on trans-national security issues.¹²⁴

2.139 On the other hand, DFAT considered Ukraine was well served by Australia's embassy in Vienna:

... due to cost-efficiency, policy alignment with other non-resident accreditations, the frequency of visits by Post, helpful consular sharing arrangements and the appointment of a new Honorary-Consul in Kyiv.¹²⁵

2.140 Support for opening a post in Kyiv was provided by Mr Kerry Fisher who commented that Ukraine was 'a major player in the future of East Europe, is a large country with yet-unrealised economic potential, and is a source of many immigrants to Australia.'¹²⁶ A further reason elicited during the inquiry was the potential for graduates from Ukrainian mining institutions to meet the demand for skilled labour in Australia's mining industry.¹²⁷

2.141 Responding to whether there was a demand for visas for Ukrainians wishing to migrate or travel to Australia, the Department of Immigration and Citizenship (DIAC) advised that 'the demand for Australian visas by Ukrainian clients is comparatively small.' The submission continued:

It is not necessary for Ukrainian clients to visit the [Moscow] office in person to lodge a visa application. Most Ukrainian clients choose to lodge their applications by courier or in person. The department conducts a small number of interview trips to the Ukraine each year to follow up on complex cases.¹²⁸

123 ENP Package, *Country Progress Report – Ukraine*.

<<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/344&format=HTML&aged=0&language=EN&guiLanguage=en>> Accessed June 2012.

124 DFAT, *Submission No. 45*, p. 5.

125 DFAT, *Submission No. 45*, p. 5.

126 Mr Kerry Fisher, *Submission No. 1*, p. 1.

127 *Transcript 10 February 2012*, p. 15.

128 DIAC, *Submission No. 46*, p. 5.

2.142 DIAC added that skilled Ukrainians working in the mining industry could 'generally apply for a General Skilled Migration visa online or by post or courier.' The applications would be processed at the Adelaide Skilled Processing Centre.¹²⁹

2.143 The Lowy Institute did not think a post in Kyiv would be a major priority:

I think it would be possible to construct a case for opening in Kyiv, but for me, it would not be the same priority as what we have talked about. I think inland China, eastern Indonesia, Phuket and beefing up in Africa would come ahead of that.¹³⁰

Romania

2.144 The opening of an Australian Embassy in Bucharest was proposed by the Romanian Ambassador to Australia, supported by a submission from the Australia Romania Chamber of Commerce. Reasons provided included:

- Romania was geo-strategically located on existing and forthcoming energy transport networks.¹³¹ It also provided alternative maritime transport access to the European market thereby shortening travel time and distance.¹³²
- Romania was in a sound economic situation with positive economic growth, a balanced external debt and current deficit, and inflation and unemployment below the EU average. Consequently, it was experiencing increasing foreign direct investment.
- Romania was a leader in the field of green energy (wind) and IT with a 'rapidly growing fibre optic network' and a 'substantial number of very good' computer software companies.
- There were 'extensive possibilities and opportunities for economic cooperation, and investments, not only direct, bilateral ones, but also on third regional markets.'
- There was increasing interest being shown by Australians wishing to travel to Romania.
- Bucharest hosted the embassies of 82 countries and permanent missions of '14 important international organisations'.

129 DIAC, *Submission No. 46*, p. 5.

130 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 15.

131 Embassy of Romania, *Submission No. 49*, p. 2.

132 Australia Romania Chamber of Commerce, *Submission No. 50*, p. 8.

- Romania was an important NATO member 'with substantial contribution to various NATO missions' and ranked seventh in population size in the European Union.¹³³

Former Yugoslav Republic of Macedonia

2.145 The United Macedonian Diaspora (UMD) provided the following reasons for opening an Australian post in Skopje:

- the country was growing economically through developing economic relations with 'the east' including the Gulf states;¹³⁴
- an embassy would strengthen ties at the government, business, academic, and sporting levels; and
- an embassy would serve the 'unmet needs of tens of thousands of Australians who visit Macedonia, Kosovo and Albania and other parts of Southeast Europe.'¹³⁵

2.146 The UMD also suggested that:

Australia still does not have an embassy in the Republic of Macedonia in order to appease Athens and the Hellenic lobby in Australia rather than advance its own commercial and strategic interests in Southeast Europe.¹³⁶

Middle East

Qatar

2.147 The Australian Gulf Council proposed that Australia should open an embassy in Qatar. The reasons provided were:

- the Gulf region collectively was a significant trading and investment partner for Australia;¹³⁷
- the absence of diplomatic representation particularly in Qatar, was 'a real deficit and does not match the level of interest both from Qatar into Australia and into our market and also the other way around';

133 Embassy of Romania, *Submission No. 49*, p. 2.

134 Mr Ordan Andreevski, *Transcript 23 February 2012*, p. 20.

135 UMD, *Submission No. 7*, p. 8.

136 UMD, *Submission No. 7*, p. 8.

137 Australia Gulf Council go to sleep, *Submission No. 35*, p. 4.

- there was 'an enormous amount of sovereign wealth, [creating] an insatiable demand for education and training, health and transport infrastructure'; and
- there was increasing demand on existing Australian embassies in the region due to increasing business visits and ministerial and heads of government visits.¹³⁸

2.148 The Lowy Institute noted that 'the Middle East benefits from a significant level of Australian diplomatic representation.' It also commented, however, when suggesting that new posts were 'needed in emerging centres of influence and economic opportunity,' that the Gulf was one of a number of priorities.¹³⁹

Kurdistan Region of Iraq

- 2.149 The Kurdistan Regional Government-Australia proposed that Australia should open a diplomatic post in its capital Erbil. The arguments included:
- the international community had recognised the economic potential of the region through the opening of 25 consulates and foreign offices;
 - it would enable accurate Australian travel advice which currently did not distinguish the Kurdistan Region from Iraq as a whole – there had been no Coalition or western fatality in the region since 2003;
 - 'thousands of foreign companies, businessmen and citizens [were] now living and working in the Kurdistan Region';
 - there were opportunities for tourism following the listing of the region by National Geographic and the New York Times on their lists of 'top places to visit in 2011'; and
 - there were opportunities for Australian universities to benefit from 'the \$100 million international scholarship program provided by the Kurdistan Regional Government.'¹⁴⁰

138 Ms Georgie Skipper, *Transcript 17 February 2012*, p. 39.

139 Lowy Institute, *Submission No. 15*, pp. 11, 15.

140 Kurdistan Regional Government-Australia, *Submission No. 54*, p. 2.

Deepening the diplomatic footprint

- 2.150 While the distribution of embassies and high commissions indicates the breadth of Australia's diplomatic footprint, the number of diplomatic posts, whether consulates or consulate-general posts, within a particular country provides a measure of the depth of that footprint.
- 2.151 DFAT has consulate or consulate-general posts in the following countries:
- China – Guangzhou, Hong Kong, Shanghai, and the recently announced Chengdu;
 - India – New Delhi, Chennai, and Mumbai;
 - Indonesia – Bali (Denpasar);
 - Turkey – Canakkale;
 - US – Chicago, Honolulu, Los Angeles, and New York; and
 - Vietnam – Ho Chi Minh City.¹⁴¹
- 2.152 Austrade also manages diplomatic posts providing consular services. Countries where Australia has an embassy or high commission and where there are also Austrade posts thereby deepening the relationship include:
- Brazil – Sao Paolo;
 - Japan – Fukuoka, Osaka, and Sapporo;
 - Turkey – Istanbul;
 - United Arab Emirates – Dubai; and
 - US – Atlanta, and San Francisco.¹⁴²
- 2.153 The Lowy Institute welcomed the recent opening of four diplomatic posts, including Chennai and Mumbai in India, as being 'consistent with Australia's expanding economic and other interests in these regions.'¹⁴³
- 2.154 In its submission, the Lowy Institute suggested that Australia should 'urgently address its underrepresentation' in China, particularly in the inland cities such as Chongqing and Chengdu:

Chongqing has a population of 30 million. ... It is a city the size of a province and it is moving into high technology in a big way.

141 DFAT, *Submission No. 28*, pp. 31–2.

142 Austrade, *Submission No. 26*, p. 22.

143 Lowy Institute, *Submission No. 15*, p. 7.

Annual laptop production capacity is set to hit 100 million units by 2015. The numbers, to my mind, are compelling.

Chengdu, the other one that we mentioned, has a population of 14 million. Shenzhen has 13 million and so on. The other point that is pertinent here is that, because they are earlier in the development curve, growth has actually slowed down a bit along that coastal belt. These cities are growing much faster, at an average of between 10 and 15 per cent over the last five years, whereas growth on the seaboard has slowed to a dreadfully sluggish 10 per cent! The centre of growth, or the engine of growth, in China has moved and we are still where it was 20 years ago.¹⁴⁴

- 2.155 The ANZ Bank told the Committee that Chinese government policy had determined that Chongqing and Chengdu would be the cities which would 'capture the growth of western China':

China needs to grow those areas substantively because the economic gap between the eastern seaboard and western China has widened considerably over the last 15 to 20 years. They realise that they need to bring western China into the high-development models and Chongqing is the designated city to do that.¹⁴⁵

- 2.156 Deepening Australia's diplomatic footprint in Indonesia was also proposed.

- 2.157 Surabaya, the capital of East Java, was identified by Ms Herlina Yoka Roida, as a potential site for an additional Australian diplomatic post. The city was strategically placed between the large provinces of Central Java and Bali and was a growth centre for industry and trade – its growth rate in 2009 had exceeded that for Indonesia. It was also the home of the highest number of universities in Indonesia.¹⁴⁶

- 2.158 This view was supported by the Lowy Institute which explained:

... Indonesia has always been important to Australia, but it has largely been important for reasons to do with its weakness. That is all changing. Indonesia is growing at about 6½ per cent. ... it will be in the top five or six economies in the world in a couple of decades, yet our diplomatic representation there is confined to Jakarta and Denpasar. The other reason is that in Indonesia power

144 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 14.

145 Mr Alex Thursby, *Transcript 23 February 2012*, p. 4.

146 Ms Herlina Yoka Roida, Faculty of Business, Widya Mandala Catholic University, Surabaya, *Submission No. 9*, p. 1.

is being devolved away from the centre to the provincial level of government, which means that you need to be there when the policy decisions are made and when the big contracts are awarded. ... Indonesia's middle class will be 50 million in size within a decade from now. They are not all going to be in Jakarta, and we need to be there. If you take Surabaya, for example, it is the second largest city in Indonesia. It has nearly 6 million people in it. East Java, alone, has nearly 50 million people.¹⁴⁷

- 2.159 The AFP told the Committee that increasing DFAT representation in Indonesia would have a 'positive flow on to the AFP' especially in the area of combating people smuggling.¹⁴⁸ In contrast, the Commonwealth Bank told the Committee that its business had not been affected by inadequate Australian representation in Indonesia.¹⁴⁹
- 2.160 Support for deepening Australia's diplomatic footprint in China, India and Indonesia was provided by ACT Labor FADTC, the ANZ Bank, and the AIG.¹⁵⁰
- 2.161 Responding to the Lowy Institute report, DFAT told the Committee that it believed Australia's diplomatic representation in China was 'underdone, particularly in western China', and there 'would be value in consular representation in Phuket in Thailand.' Further representation across the Indonesian archipelago could also be considered, but this was not as big a priority as China.¹⁵¹
- 2.162 Subsequent to the Committee's hearings, the Government announced it would open a new diplomatic post in Chengdu, the capital of China's Sichuan Province, with funding being provided in the 2012-13 Budget.¹⁵²

147 Mr Andrew Shearer, *Transcript 17 February 2012*, pp. 14-15.

148 Mr Ian McCartney, Acting National Manager, Serious and Organised Crime, *Transcript 17 February 2012*, p. 51.

149 Mr Geoff Coates, *Transcript 23 February 2012*, p. 26.

150 ACT Labor FADTC, *Submission No. 18*, p. 2; Mr Alex Thursby, *Transcript 23 February 2012*, p. 4; Mr Innes Willox, *Transcript 27 February 2012*, p. 14.

151 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 2.

152 Joint Media Release, *Opening of new Consulate-General in Chengdu*, The Hon Julia Gillard MP, Prime Minister; Senator the Hon. Bob Carr, Minister for Foreign Affairs; The Hon Dr Craig Emerson MP, Minister for Trade and Competitiveness, 20 March 2012.

Committee comment

- 2.163 It is generally accepted that the centre of global growth is in Asia and in particular in North Asia and India. If Australia is to maintain and increase its participation in this growth through providing resources and engaging in trade it must have an adequate diplomatic network to promote Australian interests.
- 2.164 The Committee agrees that Australia's diplomatic representation needs to be deepened in North Asia and in particular in China.
- 2.165 The Committee has seen at first hand the value of Australia's embassies through its delegation visit to four countries in Africa in April 2011. A Committee delegation also visited Indonesia in November 2011 and saw for itself the economic and trade potential of Surabaya in East Java. Indonesia as a whole is increasing in importance as its economy grows. The Committee believes that deepening Australia's representation in Indonesia by opening a post in Surabaya is warranted.
- 2.166 Such an initiative is consistent with the importance of the Australia-Indonesia relationship which has been recognised as a 'true strategic partnership of great importance to both our countries.'¹⁵³
- 2.167 The Committee notes that Australia opened an embassy in Kazakhstan in 1995 in support of Australian commercial activities. Unfortunately, the expected benefits were not achieved and the post closed in 1995.¹⁵⁴

Recommendation 5

- 2.168 **The Committee recommends that Australia should increase its diplomatic representation, including increased Austrade representation, in North Asia and Central Asia, and in particular China.**

153 Media Release, *Remarks following Indonesia-Australia Leaders' Meeting, Darwin*, The Hon Julia Gillard MP, Prime Minister, 3 July 2012.

154 Mr Innes Willox, *Transcript 27 February 2012*, p. 12; DFAT, *Kazakhstan country brief*, http://www.dfat.gov.au/geo/kazakhstan/kazakhstan_brief.html> Accessed September 2012.

Recommendation 6

- 2.169 **The Committee recommends that Australia should deepen its relationship with Indonesia by opening a diplomatic post in Surabaya, East Java.**
- 2.170 The Committee's review of Australia's relationship with Africa and the evidence received in this inquiry has highlighted the potential of the continent for investment and, with a growing middle class, as a trading partner. The Committee notes the Government's acceptance of its recommendation that an embassy be established in Francophone Africa and its decision to open an embassy in Senegal.
- 2.171 The Committee also considers there is merit in opening an embassy in Morocco to serve the Maghreb and notes that this is in DFAT's plans for an expanded network should it receive sufficient funds.¹⁵⁵
- 2.172 Regarding opening other new embassies elsewhere in Africa and Asia, in Europe, and the Gulf, the Committee does not have the full range of evidence to properly assess the various suggestions made during this inquiry. Whether or not to open a new post needs careful and rigorous analysis against national interest criteria. The Committee expects DFAT and other interested departments to undertake such an assessment.
- 2.173 It is for this reason the Committee has recommended the preparation of a Government White Paper (see Recommendation 1).

Priority areas for overseas diplomacy

- 2.174 The Committee challenged DFAT to set out its priorities for increasing Australia's diplomatic footprint under three increased funding scenarios – annual increases of \$25 million; \$50 million; and \$75 million.
- 2.175 DFAT replied that it would open a mix of new posts and new positions at existing posts. Table 2.2 summarises DFAT's information. It does not include DFAT's highest priority post – Chengdu, China – since its opening had already been announced.

155 DFAT, *Submission No. 51*, p. 2.

Table 2.2: DFAT's priorities for increasing Australia's diplomatic footprint

Funding level	New positions at existing posts	New posts		
\$25 m per year—\$100 m over the forward estimates	12 new positions prioritising G20 and consular locations	Astana, Kazakhstan Ulaanbaatar, Mongolia Dakar, Senegal Phuket, Thailand Funafuti, Tuvalu		
\$50 m per year—\$200 m over the forward estimates	32 new positions prioritising G20, regional and consular locations	Astana, Kazakhstan Ulaanbaatar, Mongolia Dakar, Senegal Phuket, Thailand Funafuti, Tuvalu	Algiers, Algeria Luanda, Angola Chongqing, China Bogota, Colombia Dar es Salaam, Tanzania	
\$75 m per year—\$300 m over the forward estimates	50 new positions prioritising G 20, East Asia Summit, smaller posts and consular locations	Astana, Kazakhstan Ulaanbaatar, Mongolia Dakar, Senegal Phuket, Thailand Funafuti, Tuvalu	Algiers, Algeria Luanda, Angola Chongqing, China Bogota, Colombia Dar es Salaam, Tanzania	Rabat, Morocco Oslo, Norway Berne, Switzerland

Source: DFAT, *Submission No. 51*, pp. 1–2.

Committee comment

2.176 Information provided by DFAT and presented in Table 2.2 provides an additional insight into the costs of expanding and deepening Australia's diplomatic footprint. It also shows that any increase in the network would largely focus on Asia and Africa.

- 2.177 The Committee notes that Table 2.2 represents DFAT's priorities, but considers that decisions concerning any increase in Australia's diplomatic representation should be transparent and subject to bipartisan support.
- 2.178 The Committee has considered at some length the arguments for opening an embassy in Kyiv. On the one hand, the country offers potential in terms of trade and as a hub for the representation to the former Soviet republics.
- 2.179 On the other hand, there is ongoing concern regarding human rights. The Committee also notes the decision by France, Germany, and UK Ministers and European Union Commissioners to not attend 2012 European Championship football games in Ukraine because of human rights concerns.¹⁵⁶
- 2.180 During its deliberations, the Committee discussed its own priorities for establishing new diplomatic posts. The Chair of the full Committee and some members of the Committee strongly advocated opening an embassy in Ukraine citing the large population and the wealth of technically skilled students graduating from various mining institutes in that country.
- 2.181 The Committee concludes that there would be value in Parliamentary committees becoming involved when new embassies are proposed either by way of Parliamentary briefings or Parliamentary inquiries.

Recommendation 7

- 2.182 **The Committee recommends that the Department of Foreign Affairs and Trade discuss the reasons for proposing to open or close Australia's diplomatic posts either by way of private briefings or public hearings before this Committee.**

¹⁵⁶ Agence France Press, *UK ministers to shun Euro 2012*, 8 June 2012.