



## Submission No 18

### **Inquiry into Australia's Overseas Representation**

**Name:** Mr Crispin Rovere  
Convenor  
Secretariat APLN

**Organisation:** ACT Labor Foreign Affairs, Defence and Trade  
Committee  
Hedley Bull Centre Bldg 130  
Australian National University  
Canberra ACT



# **Foreign Affairs, Defence and Trade Committee**

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## **JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE INQUIRY INTO OVERSEAS REPRESENTATION**

**Submission by**

**ACT LABOR FOREIGN AFFAIRS, DEFENCE AND TRADE COMMITTEE**

## Terms of Reference

- the activities that Australia's diplomatic posts must undertake;
- their geographic location and spread;
- the appropriate level of staffing, including locally engaged staff; and
- the affect of e-diplomacy and information and communications technology on the activities of diplomatic posts.

### SUMMARY

- **Australia's diplomatic representation has been declining in absolute terms over the past twenty years.**
- **Staffing levels have been declining and are now critical. Meeting Australia's foreign policy objectives with current resources cannot be achieved.**
- **The numbers of Australians travelling overseas has tripled in the past twenty years.**
- **Economic and strategic weight shifting inexorably to our region, and robust diplomatic service is more important than ever.**
- **Considerable distortions exist in our overseas representation, particularly in Europe compared with the Asia-Pacific.**
- **Chronic underrepresentation exists in Africa and South America, despite increasing two-way trade and major investments by Australian companies.**

### KEY RECOMMENDATIONS

- **Increase DFAT funding in real terms over the next five to seven years to a minimum 0.50% of GDP.**
- **Expand diplomatic missions across Indonesia and the booming regional economic centres located in China and India.**
- **Establish embassies in Mongolia and several other Central Asian states where Australia does not have permanent representation.**
- **Deepen bilateral engagement with some G-20 nations such as Brazil, Argentina, Mexico, South Africa and Saudi Arabia.**
- **Establish diplomatic representation in the African countries of Zambia, Tanzania, Botswana, and Angola where Australian mining companies have large and increasing interests.**
- **Expand the staffing of DFAT at every level in order to repair the damage caused by the chronic under resourcing by successive governments.**

## Introduction

There is a severe disparity between Australia's foreign policy ambitions and the resources serviced to meet these them.

Among OECD countries, Australia's overseas representation is among the most meagre in the world. According to the Lowy Institute, only Ireland, Luxembourg, the Slovak Republic, and New Zealand operate fewer diplomatic posts than Australia.

Poland, Denmark, Portugal, even Greece, has a larger overseas presence than Australia. Unlike these countries, Australia does not enjoy the diplomatic advantages of being part of any regional supernatural grouping.

***“Among OECD countries...only Ireland, Luxembourg, the Slovak Republic and New Zealand operate fewer diplomatic posts than Australia.”***

The Department of Foreign Affairs and Trade [DFAT] has been evaporating. Since 2001, DFAT funding has reduced from 0.40% of GDP down to 0.25%.

This trend is reflected in staffing levels. In fiscal year 2011-2012, DFAT's staffing level has fallen to a new low of 2,102, down 19% on 1996 levels.

Meanwhile Australia's intelligence agencies have enjoyed near exponential budgetary increases during the same period. Again according to the Lowy Institute, the AFP personnel has expanded over 150% since 2001, ASIO 139%, and the ONA 75%.

***“DFAT's staffing level has fallen to a new low of 2,102, down 19% on 1996 levels.”***

The Department of Defence has nearly twice as many overseas-based staff as DFAT. Even excluding Defence, Non-DFAT government agencies now have a greater overseas presence than the entirety of our diplomatic service. The number of DFAT personnel posted overseas has almost halved over the past 25 years.

***“The number of DFAT personnel posted overseas has almost halved over the past 25 years.”***

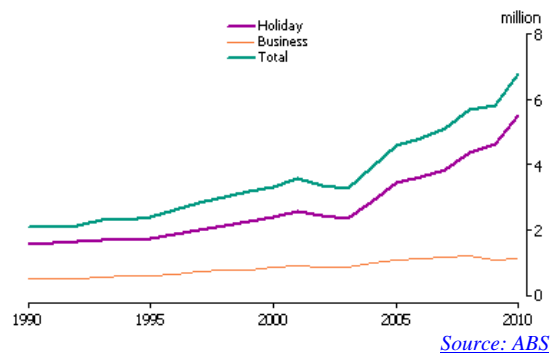
This trend is clearly at odds with the ever more globalised nature of the Australian economy, and the expectations the Australian public has of consular services to citizens abroad.

The ACT Foreign Affairs, Defence and Trade Committee therefore urges a large-scale, sustained, and directed expansion of Australia's overseas representation in order to dramatically reverse this downward trend.

## The activities that Australia's diplomatic posts must undertake

### Consular

Overseas travel by Australian citizens has increased at an unprecedented rate in recent years. [According to the Australian Bureau of Statistics](#), 6.8 million overseas trips were made by Australians in 2010, up from 2.1 million 20 years ago. In per capita terms, this is 31 overseas trips for every 100 citizens, up from 12 in 1990.



Just in the past 5 years there has been a [60% increase](#) in the number of cases involving 'Australians in difficulty' abroad. [DFAT managed 24,186 such cases in 2010-2011](#). Most were relating to travel difficulties and medical issues, with some 2.2 million Australians departing without any form of insurance. On top of this, Consular assistance was required in [1,314](#) cases in 2008-2009 relating to Australians being arrested overseas.

***"6.8 million overseas trips were made by Australians in 2010, up from 2.1 million 20 years ago."***

High profile cases such as Schapelle Corby and the 14 year old boy arrested in Bali have certainly contributed to the consular workload and the expectations the public have about services provided to Australians abroad. Media enquiries with respect to Australian's in legal difficulty or missing overseas has also been commensurate with this trend.

### Changing Security Environment

Global balance of power is shifting to our region, and Australia's regional environment is becoming increasingly complex. Robust diplomacy is more essential than ever to effectively manage the opportunities and risks posed by the Asian century.

Australia's most significant trading partner is the strategic rival of our most powerful ally. With the economic crisis deepening in Europe, and the US experience a jobless recovery, this trend shows no sign of abating. At current estimates China's economy will eclipse that of the United States in around 8-15 years.

China is not a status quo power, and may seek to reshape the international system against Australia's interest as its power grows. Successfully navigating China's rise, while maintaining our alliance with the United States, is the major diplomatic challenge of our time, indeed in all of our nation's history.

***"Successfully navigating China's rise, while maintaining our alliance with the United States, is the major diplomatic challenge in all of our nation's history."***

Australia also needs to develop much more sophisticated relationships with other emerging countries in our region.

For example, despite the fact that Indonesia has undergone a monumental transformation into a democracy, Australia's relationship with our nearest neighbour is still based on problem issues such as people smuggling, illegal fishing, animal welfare and terrorism.

## Trade

Australia has an export driven economy with ever greater integration in a globalised marketplace. Our diplomatic missions must be maintained in regions of economic significance, as well as established in countries in our region with where we have underdeveloped trade relationships.

More than 50% of Australia's two way trade is with Northeast Asia, with yet only 227 DFAT staff fluent in any Asian language. Moreover, our immediate neighbourhood is neglected with the entirety of ASEAN making up a mere [17%](#) of our trade relationships. Indonesia, with 240 million people, has a GDP growth rate of over 6% p.a. yet does not rate in our top ten trade relationships.

***[“Indonesia, with 240 million people, has a GDP growth rate of over 6% p.a. yet does not rate in our top ten trade relationships.”](#)***

Australia's bilateral trade with India reached [\\$22.2](#) billion last year, with an average annual increase of 23.4% since 2000, and our primary exports to China have increased 500% just in the past 5 years, and together these two countries account for more than a third of the world's population. Despite this, Australia maintains a mere three diplomatic offices in each of these countries, [compared with ten](#) in the United States.

Trade is also expanding with Africa and South America with a [6.5%](#) and [12%](#) average annual increase over the past ten years, and yet we have more diplomatic mission in the US and Canada than these two continents combined.

Austrade is responding to these trends. In May this year, Trade Minister Craig Emerson published the

[“Reform of the Australian Trade Commission: Maximising our value”](#) brief which outlines Austrade's re-orientation towards the emerging markets in our region.

This lack of diplomatic consistency is deeply conflicted. And Austrade, with its modest budget and low staffing levels, cannot be expected to shoulder this transition alone.

## Regional and Multilateral engagement

As a middle power Australia has always seen its influence enhanced through building coalitions and setting agendas at international and regional forums.

APEC, the ASEAN Regional Forum, the G-20, and the East Asia Summit have all increased Australia's political and diplomatic influence both regionally and globally. They have also all been established in the past 25 years, just as Australia's diplomatic resourcing began its long decline.

***[“APEC, the ASEAN Regional Forum, the G-20, and the East Asia Summit...have all been established in the past 25 years, just as Australia's diplomatic resourcing began its long decline.”](#)***

It is critical for our globalized future that we remain firmly engaged in these multilateral forums in order to foster the open, rules based, international order upon which Australia depends. This cannot be sustained unless the government services DFAT with the resources commensurate with an active middle power.

The only alternative is to withdraw from the region, accept the status of a small power and become increasingly isolated from the connections that are reshaping the Asia-Pacific region.

## Geographic location and spread

First and foremost, diplomatic presence needs to be expanded right throughout the Asia-Pacific region. There are 18 countries in Asia that have no Australian diplomatic presence whatsoever. This is particularly acute in the Central Asian states, including Mongolia.

As per the Lowy Institute's report, Australia's diplomatic presence needs urgent expansion into the emerging regional economic centres in China, India, Indonesia, and Vietnam. At present, Australia's representation to these countries collectively is equal to our presence in the United States alone.

There is a major unbalance in our diplomatic postings which needs urgent redress. Australia has almost as many diplomatic missions in Europe (25) as the entirety East Asia, South Asia, and ASEAN combined (28). This is a serious distortion given that the EU accounts for [only 14%](#) of Australia's foreign trade, compared with almost [70%](#) in the Asia-Pacific, as well as Australia's overwhelming national security and foreign policy interests existing in this region.

***"Australia has almost as many diplomatic missions in Europe as the entirety of East Asia, South Asia and ASEAN combined."***

These figures are even worse when you consider [45%](#) of Australia's trade with the EU is with the UK, where Australia has only one diplomatic High Commission in London and one Consul-General in Edinburgh. Moreover, the percentage of Australia's overall trade with the EU is rapidly shrinking with Europe's ongoing economic uncertainty, and the rapid economic and political shift towards the Asia-Pacific region.

Australia must also expand its diplomatic presence in a number of nations in the G-20. At present, more than half of Australia's missions in G-20 nations are in the US, Japan, Canada and Turkey. By contrast, Australia has only one diplomatic mission in each to South Korea, Mexico, Argentina, Saudi Arabia, South Africa and France (excl Noumea).

Australia's representation to Africa is abysmal. While opening a permanent embassy to the Holy See was an important step forward in building relationships with countries where we have no representation (70 countries have permanent missions to the Holy See) it cannot substitute for direct government level representation, particularly with respect to enhancing trade links.

As of 2010, Australian mining companies had some [560 projects in Africa and around \\$20 billion worth of investment](#). Zambia, Tanzania, Botswana, and Angola all have [substantial Australian mining operations](#) and no Australian diplomatic missions. Permanent representation to these African nations should be a priority.

***"Zambia, Tanzania Botswana and Angola all have substantial Australian mining operations and no Australian diplomatic missions."***

### **The appropriate level of staffing, including locally engaged staff**

Australia's diplomatic capability is now on life-support. This situation has been caused by chronic under resourcing by successive governments.

Meeting the needs of increasing numbers of Australians abroad while advancing Australia's interests in a changing, globalized economy, all with a shrinking diplomatic staff, defies credibility.

While human resourcing at the micro level is beyond the scope of this submission, it is our strong conclusion that urgent, substantial, and sustained expansion of human capital needs to be invested at every level or our diplomatic if we are to deal with the unprecedented opportunities and risks of the Asian century, and we urge the committee to respond decisively to this necessity.

### **The effect of e-diplomacy and information and communications technology on the activities of diplomatic posts.**

Social media, the blogosphere, and online networking is becoming increasingly essential for communicating with Diasporas, promoting events and engaging with local populations. As of November 2011, [The US State Department's facebook page in Jakarta has a massive 450,000 followers](#) - and this is in a country where internet penetration is currently only around [20%](#). Given Indonesian internet users are overwhelmingly in the [15-19](#) age bracket, US e-diplomacy is able to reach and influence and engage an entire generation of Indonesian youth.

The Lowy Institute has done some impressive research into how the way we connect is transforming modern diplomacy. The ACT Labor Foreign Affairs, Defence and Trade Committee would therefore commend the following resources;

[A digital DFAT: Joining the 21<sup>st</sup> Century](#) by Fergus Hanson

[Debate: E-diplomacy in action](#) at Lowy's Interpreter Blog

#### **FURTHER READING:**

[Australia's Diplomatic Deficit](#) by the Lowy Institute