

CHAPTER 2: DFAT'S FUNCTIONS AND DEVELOPMENT

Organising a foreign service

2.1 The Department of Foreign Affairs and Trade, like the foreign ministries of most countries, has three broad functions. First, the Department is responsible for the practice of diplomacy, defined in *Satow's Guide to Diplomatic Practice* as "the application of intelligence and tact to the conduct of official relations between the governments of independent states" (Gore-Booth 1979, p. 3). Australian diplomats represent to foreign governments the Australian Government's position on matters of interest to those governments and establish and report to our own Government the positions of foreign governments on matters of interest to Australia. Diplomats also conduct much of the negotiation that occurs between the Australian Government and other governments. Diplomatic activity can occur bilaterally or multilaterally, the latter usually within the framework of international organisations.

2.2 The second broad function undertaken by DFAT is the support of the Government in its development of foreign policy. Since 1987, DFAT has been responsible for supporting overseas trade policy. The size and significance of this aspect of foreign policy is indicated by the Government's decision to appoint a separate minister for trade and by the fact that two of DFAT's ten divisions are mostly concerned with trade issues. Overseas trade promotion remains the responsibility of a separate statutory authority, Austrade. Foreign policy is a matter for the Government rather than the public service but in this, as in other areas of policy, the public service provides expertise and logistical support to whichever government is in power. Foreign policy development draws on aspects of many domestic policies and involves a significant coordination effort.

2.3 The third function undertaken by DFAT is the management of the resources and assets devoted to foreign policy, to the support of Australian Government activities overseas and to the consular and passport systems. This is a large task. As at 30 June 1992, DFAT employed 814 Australia-based and 1532 locally engaged staff at 89 posts overseas, 1264 officers in Canberra and 292 in seven other Australian cities. The Department's budget for 1992-93 is \$1790 million. The majority of these people and funds are employed on management and support of rather than directly on the diplomatic or policy functions.

2.4 Most countries place the three functions of foreign policy, diplomacy, and their management support within a single organisational framework but it would be possible to organise foreign relations differently. The three functions are distinct and the diplomatic and policy functions in particular, although often treated together, can be separated, both conceptually and in practice. Some separation of policy development from other functions actually occurs. Many issues of significance to foreign policy, for example, fall partly or primarily within the responsibility of ministers other than the Minister for Foreign Affairs and Trade and policy in these areas is developed in part outside the organisation that houses Australia's diplomats. Even on issues that fall mostly within DFAT's purview, policy development tends to be predominantly the task of one

set of officers in Canberra and diplomacy predominantly the task of another set of officers located overseas. The staff rotation that occurs between the two functions does not detract from the fact that they are largely undertaken in separate parts of the organisation.

2.5 This classification of DFAT's functions was useful to the Committee in its consideration of a submission to its inquiry urging the dispersal of the diplomatic, policy-development, and administrative functions to separate, specialist agencies. This and later submissions from the DFAT Reform Group, argued, in essence, that domination of DFAT by professional diplomats was detrimental to the policy-development and administrative functions and that traditional diplomacy is out of date and unnecessary. The Reform Group urged that DFAT be separated into discrete bodies, each with responsibility for diplomacy, advising on foreign policy, or the management of Australian Government employees and assets overseas. The Reform Group sought to support its argument with a large number of allegations of improper or illegal behaviour by DFAT and many named or identifiable members of its staff.

2.6 As reported in Chapters 4 and 5, the Committee concluded after thorough investigation of a large sample of the Reform Group's specific claims that the allegations lacked credibility. The Committee therefore declined to accept most of the allegations and has recommended that they not be further investigated by any other body unless and until the Group supplies evidence to support them. However, the Group's general argument about the best way of organising DFAT is one which they were entitled to put. Major elements of their general argument have been advanced by authoritative commentators from time to time although this Committee received little such evidence in its inquiry, probably because detailed consideration of the wider issue would manifestly be beyond the Committee's terms of reference.

2.7 In fact, it would have been far beyond the scope of this inquiry for the Committee to have attempted a detailed assessment of the arguments about the best way of structuring foreign relations. However, structural assumptions necessarily lie beneath any set of views on the management and operations of a particular foreign service and the Committee believed that it should provide an explicit statement of the assumptions under which it worked in this inquiry.

The Committee's working assumption

2.8 The general concerns about the traditional way of organising a foreign service that have been raised by many commentators are:

- . diplomatic practices and protocol are unnecessary, wasteful and prone to directing the attention of their practitioners away from the main priorities in foreign policy;
- . the rotation of staff necessary in a diplomatic service tends to reduce specialisation in a foreign ministry and tends to exclude specialists from employment in the service;

- diplomats may become too close to particular foreign governments or interests to the detriment of Australian foreign policy;

- diplomats and foreign policy advisers alike may lack the skills and interests necessary to the effective management of the significant resources controlled by a foreign ministry;

- particular policy or management areas - trade policy and the task of issuing and controlling passports are two commonly-cited examples - do not fit neatly with the other functions of the foreign ministry.

2.9 The Committee's working assumption for the inquiry was that there was some validity to at least the broad thrust of some of these criticisms of the standard structure. The Committee believes that the Government should be alert to the risks identified by some of the critics of the traditional approach. This assumption was based more on the experience of the Committee's members in Parliament and elsewhere than on formal evidence taken in this inquiry. It meant that, throughout the inquiry, the Committee was concerned as far as possible to test DFAT's actual performance against the types of general criticisms outlined above.

2.10 Particular issues that the Committee considered were:

- the possibility of waste from devoting too much attention to the diplomatic function in countries where a primary focus on trade and/or consular functions would suffice;

- the possible detriment to foreign policy development of limiting the public service involvement in it to persons whose main training and experience have been in diplomacy, many of whom have not specialised in the affairs of any geographic region or policy area; and

- the various management maladies likely to flow from rigid streaming of DFAT staff and also, potentially, from inappropriate measures to abolish the stream.

The specific recommendations in later chapters of this report reflect the Committee's assumption that the broad radical critique of the foreign ministry model points to some issues of real concern. But it is important to note that the Committee acknowledges significant improvement in recent years in most of the areas of possible concern. There was considerable evidence that the changes experienced by DFAT since the machinery of government reorganisation of 1987 have been large. It was also clear that the Department was aware of the need for further reform. Change has its costs and these tend to increase with the speed with which it is implemented. While sympathetic to elements of the radical critique, the Committee was generally impressed by DFAT's response to it in recent years.

From DFA to DFAT

2.11 The changes since 1987 took effect in a Department that had for many years displayed significant differences to the mainstream public service. This may have been partly the result of the policy orientation of the Department's work. The Department of Foreign Affairs was not established until 1935, international relations previously having been seen to be principally a part of the Prime Minister's political function. Even after 1935, the standard historical interpretation has it that:

professional diplomacy in this country historically has been weak ... [and] we have a marked characteristic among countries which adhere by and large to the Westminster system of a very strong Prime Minister in Foreign Affairs (Edwards 1986, p. 35).

2.12 Much of the early history of the Department involved a struggle to establish a professional diplomatic service. Leaving aside the staffing of a liaison position in London from the 1920s, professional recruitment to foreign affairs began in the 1930s and no Australian professional diplomats were considered sufficiently experienced to be appointed to ambassadorships until well into the 1940s. The practice of filling most ambassadorial appointments with public servants with experience in DFA was not firmly established until the 1950s.

2.13 From that time the Department settled into a structure that persisted with little change until 1987, despite the very considerable growth of the Department over the period. Employment streams developed in diplomatic/policy work, consular and administrative duties and, later, secretarial, communications and registry/archives functions. Entry to each stream was normally at the base level and movement between streams was rare (Evidence, p. S50). Bright graduates were recruited to the base of the diplomatic/policy stream and rose in due course to occupy the vast majority of senior positions in DFA, although consular and administrative officers were appointed to some senior management-oriented positions in Australia and at very large posts overseas. DFA was unusual in the Australian Public Service, at least until the 1960s, in its practice of recruiting graduates for employment in general duties. In most other departments, few graduates were recruited other than to work in specialist areas such as the law, medicine, or engineering.

2.14 DFA was not highly ranked in the informal Canberra public service pecking order until the 1970s. This may have reflected its late establishment and the strong influence in its area of responsibility of the Prime Minister and sometimes other ministers not its own. It may have been partly the result of the relative isolation from the domestic policy mainstream of the Department's work and of many of its senior officers at posts overseas. A strong Department of Trade, responsible for overseas trade policy represented significant competition for DFA, both in policy advice to government and in relations with the relevant domestic constituency. Another factor, cited by Bruce Juddery, a journalist specialising in the Canberra public service, was:

the "generalist" bias of Foreign Affairs. Apart from such rare exceptions as Philip Flood, head of the Economic Policy Branch in 1973, and

Michael Cook, a specialist in intelligence and defence, there were few senior men in the Department equipped to hold their own against other departments, other than on matters purely of international politics. Other representatives on IDCs considered their Foreign Affairs counterparts light-weight (Juddery 1974, p. 103).

2.15 Juddery suggested that "the application of something very like force" would have been required to break down this undesirable side effect of streaming and an attempt to do just that was made in the early 1970s. The senior management of the Department, through a process called "re-integration", sought to "end the separate caste existence of diplomats by making diplomatic postings open to any clerical/administrative employee in - or, theoretically, outside of - the Department" (Juddery 1974, p. 102). Re-integration was said to have been greeted with scepticism by DFA officers, with "many believ[ing] it only a ploy to get more money for the existing elite". However, the elite, through the Foreign Affairs Association, voted 47 to 2 against a specific proposal to appoint 13 outsiders to Foreign Affairs Officer Class 3 positions and the proposal did not proceed (Juddery 1974, pp. 102, 108).

2.16 The re-integration process came to an abrupt halt in 1974 with the appointment of Alan Renouf as Secretary of DFA. Mr Renouf (now Dr Renouf) had a low opinion of the public service outside DFA, describing it a few years later as "stodgy, unimaginative and time-serving, especially at its top levels". He came to the position with the belief that:

The Department of Foreign Affairs had always been no more than a middle-ranking department. It had, I reckoned, as did Whitlam and Willesee, to become a major department, as were all its counterparts abroad (Renouf 1980, p. 103).

Dr Renouf's preferred option for DFA was for it to be separated from the mainstream public service and constituted under its own Act. He put this view to the Royal Commission on Australian Government Administration (Coombs Commission) in 1974 (RCAGA 1976, p. 265).

2.17 The Renouf line, urging a stronger DFA, independent of the public service collided with the general inclination of the Coombs Commission to favour integration of specialised departments and agencies into the wider public service. The Commission not only employed a consultant to explore what the consultant called "inbreeding" in DFA's staffing practices, it also eventually defined the Department's role as "essentially one of coordination" of the output of domestic policy agencies (RCAGA 1976, p. 333). The Commission's report recommended more open recruitment to DFA positions, extensive rotation of staff between DFA and other departments and a thoroughgoing integration of the Department into the mainstream public service. Supporters of a separate foreign service, especially Alan Renouf, continued to argue their case through the 1970s and into the 1980s but, as shown in Chapter 3, the Department did in fact become more open to staff movements between itself and the rest of the public service.

2.18 While not achieving the status of separate service, DFA/DFAT in the fifteen years since the Coombs Report has achieved the major department status sought by Dr Renouf. The 1987 machinery of government changes brought the trade policy function within DFAT, ending a division of responsibility for international policy that had been particularly irksome to the proponents of a separate service. The 1987 changes also provided a very substantial one-off contribution to the proportion of DFAT staff with significant work experience outside DFA. This added to the effects of a small but growing number of appointments from outside DFA to above-base policy and diplomatic positions which had already begun to diversify the Department's experience base (see Chapter 3).

2.19 Immediately prior to the 1987 changes, DFA completed a major review of overseas representation instituted by its newly-appointed Secretary, Stuart Harris. Dr Harris had once been a public servant specialising in economics and overseas trade but was appointed to the secretaryship of DFA from an academic position at the Australian National University, becoming the first non-career diplomat to hold the position since the 1940s. The Harris Review canvassed many of the issues which became the subject of substantial change after the departmental amalgamations of 1987.

2.20 The scale of change in DFAT since that time is impressive and, perhaps for that reason, the separate service issue no longer appears to be of concern. Both the Department and the Foreign Affairs and Trade Association briefly raised the issue in their evidence to this inquiry only to conclude that, from their point of view, a separate service was no longer necessary (Evidence, pp. 29-31, S498). The issue had been covered in some detail in a second review by Stuart Harris, undertaken in 1988 after his return to the Australian National University, which concluded that there was no significant case for a separate foreign service provided interdepartmental coordination remained satisfactory and the special needs of service overseas were recognised (Harris 1988, pp. iii, 17-31).

2.21 The 1987 changes and their implications for the management of DFAT are discussed in the next chapter. Essentially they involved the amalgamation of two departments and an agency with significant overseas responsibilities and the final breaking down of the employment closed shop that had existed in the former Department of Foreign Affairs.