



# FOREIGN POLICY ASSOCIATION

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### **FPA World Leadership Forum Keynote Address**

*Featuring:*

### **Kevin Rudd, Prime Minister, Australia**

KEVIN RUDD: Thank you Mr Roosevelt for your introduction.

It is a privilege to be introduced by Theodore Roosevelt IV.

Teddy Roosevelt was President of the United States in the year the Commonwealth of Australia came into being. He dispatched the Great White Fleet in 1907 to symbolise the emergence of the US as a global superpower with global interests.

To the great annoyance of the mother country and without any reference to London whatsoever, Australia extended an invitation to President Roosevelt for the Fleet to visit Australia.

And with that single act of Australian insubordination against both our and your former colonial masters, a good time has been had by all for the hundred years since in this great Australian-American relationship.

So much so that a hundred years later, to commemorate the visit of the Great White Fleet, we finally decided to return the favour when, earlier this year, ships of the Royal Australian Navy visited New York.

I'm reliably informed that in both 1908, when the Fleet arrived in Australia, and 2009, the sailors of both our navies had a pretty good time - and relations between our two countries were enhanced both bilaterally and, of course, personally.

It's worth reflecting on what President Roosevelt wrote in his autobiography about that first naval visit and his views on the future of the Australian-US relationship way back in the days of the Great White Fleet.

"I have, as every American ought to have, a hearty admiration for, and fellow feeling with, Australia, and I believe that America should be ready to stand back of Australia in any serious emergency. The reception accorded the fleet in Australia was wonderful, and it showed the fundamental community of feeling between ourselves and the great commonwealth of the South Seas."

And while, over the past 100 years, the world has changed fundamentally, the ties that bind our two great democracies have not.

Ties that remain deep and wide and broad.

I have entitled my remarks today 'American leadership and the emerging global order'.

The challenges of global governance are not new to our intensively globalised age.

Sixty-five years ago, not far from where we gather today, John Maynard Keynes reflected on the challenges of global governance during his remarks to the concluding plenary session of the Bretton Woods conference in July of 1944.

Keynes said: "...we have perhaps accomplished here at Bretton Woods something more significant than what is embodied in this Final Act. We have shown that a concourse of forty-four nations are actually able to work together at a constructive task in amity and unbroken concord.

Few believed it possible. If we can continue in a larger task as we have begun in this limited task, there is hope for the world".

This "larger task" was of governance which lay beyond the scope and powers of the Bretton Woods machinery which he and his colleagues had so painstakingly crafted. Sixty-five years later, I doubt that Keynes would say we have risen to this task.

Sixty-five years on, we are still, by and large, seeking to make do with the global institutions, both political and economic, crafted in San Francisco and at Bretton Woods.

Our global institutions have largely remained static while the world they were designed to serve has been dynamic beyond anyone's imagining.

First, there has been a proliferation in the number of global actors - whereas only 50 states gathered in San Francisco, that number has since quadrupled to 192, leaving aside the parallel proliferation in the number of non-state actors.

Furthermore, the global economy of today has become a truly global economy - unimaginable to the relatively autonomous economies of the immediate post-war period.

In short, the global institutions have not kept pace with the rapidly changing global reality. This is not an argument for their wholesale replacement.

It is, however, an argument for their comprehensive renewal. The reality in this modern, dynamic world is that renewal can only occur, as with Bretton Woods and as with San Francisco, through the creative agency of US global leadership.

Some say that in this age of political multi-polarity and economic globalisation, the US is no longer capable of such leadership.

Some say the US may be unwilling to provide such leadership. And others, both at home and abroad, who say the United States should not provide such leadership.

I argue that all three propositions are fundamentally wrong.

America remains an overwhelming force for good in the world. America, virtually unique in the history of great powers, has sought to exercise its global power in a manner mindful of a wider interest that is greater than its narrowly calculated national interest.

Just as today, America remains uniquely qualified - through the combination of its hard power and its soft power - through the narrative of its history and the consistency of its purpose - to shoulder the great responsibilities of our time.

Importantly for us all, these are also the virtues and values that we see at work once again in the policy and purpose of the US Administration today.

The United States is not unfamiliar with the burden of leadership.

Nor is the United States unfamiliar with the criticism that comes from the exercise of leadership.

And while the US will from time to time make misjudgements in its foreign policies like other nations, it is important to recognise that it is America that invariably has answered the call when others mysteriously have fled the field.

It was American leadership that won the War.

It was American leadership that also won the Peace - ultimately with the collapse of the Soviet Union and the end of the Cold War.

But neither winning the war nor winning the peace meant the end of history. History is shaped by human hands, collective decisions and the agency of political leadership.

And political leadership is required today to shape the vast array of forces now at work in this new age of globalisation - forces that have been unleashed since the fall of the Berlin Wall.

Globalisation of security, globalisation of the economy, globalization of the environment, and to some extent of the globalisation of cultures themselves. With all these challenges, the need for global leadership becomes greater, not lesser.

No longer hot war. No longer Cold War. But instead an extraordinarily complex peace.

My argument today is straightforward: First, by any rational measurement, US global power will remain unchallenged for the first quarter of the current century and arguably, for much of the second.

Second, US global leadership must nonetheless be deployed in a policy environment that is more interconnected, complex and contested than at any time since 1945.

Third, notwithstanding this complexity, US leadership remains uniquely capable of shaping the global outcomes that will enhance our common security, our common prosperity and our common interest in the sustainability of the planet.

Finally, rather than a return to US unilateralism, or its radical alternative, the wholesale redesign of the global order, there is instead a further alternative before us of US global leadership for the future.

One which seeks to renew the existing institutions of global governance from within.

To render them effective for the current age.

To do so by acting as the pivotal power within the system rather than simply railing at the system from without.

Recognising throughout that while the United States can lead, and while the United States should lead, the lessons of recent years remind us that the United States cannot be expected to do so alone.

American leadership must also be supported in this new endeavour by a new "driving centre" of global politics and the global economy – a group of nations, both developed and developing, sharing a broad commitment to make the existing institutions of global governance solve the problems existing faced by the global order - rather than simply avoid them.

This, I believe, is the current direction of the Obama Administration. There is a degree of faddishness, both in the academic literature and in some of the political commentary, about the inevitable decline and demise of US global power.

People have been predicting the decline of US power since the "missile gap" debate of 1960; the oil crises of 1970s; the rise of Japan in the 1980s; the rise of China since the late 1990s; and, most recently, the implosions arising from the global financial crisis.

In fact, there is an almost soothing regularity to these episodic predictions of American decline and despair.

To paraphrase the immortal Mark Twain, reports of America's death are greatly exaggerated.

- \* US global strategic reach remains unparalleled with its total military spending representing almost half of total global military spending and more than seven times that of China's;
- \* US naval strength is again unparalleled - with its total naval tonnage exceeding the world's next 13 fleets combined;
- \* The US economy has been the world's largest economy for the more than 120 years, and for much of the last 100 years has represented about one-quarter of global GDP - as it does today;
- \* The US economy is three times the size of the world's second largest economy, Japan, in market exchange rate terms;
- \* More than one-third of the world's twenty largest companies are American;
- \* America is the world's leading producer of scientific papers, performs as much research and development as the rest of the OECD combined and has an unrivalled capacity for innovation;
- \* Furthermore, unlike many other major economies, the US has and will continue to have a large, growing and young population – a key driver of long term economic growth;
- \* Finally, as demonstrated by the most recent findings of the Pew Research Center, America is rated overwhelmingly positively in most global public opinion surveys on its image in the world – a remarkable feat for any superpower given the precedent of superpowers in ages past.[i]

The objective barometers of US global power are therefore in reasonable working order.

Notwithstanding these great strategic strengths, America and its friends, partners and allies are also wrestling with the new challenges of globalisation.

This is underlined in the most recent "Global Trends: 2025" report produced by the US National Intelligence Council.

In mapping trends for the first quarter of the current century, the NIC reaches a number of important conclusions:

First, that "the United States will remain the single most powerful country but will be less dominant".

Second, "the unprecedented shift in relative wealth and economic power, roughly from west to east, now on the way, will continue".

Third, "a global multi-polar system is emerging, with the rise of China, India and others. The relevant power of non-state actors - businesses, tribes, religious organisations and even criminal networks will also continue".

And fourth, listed by the NIC as a key uncertainty for the future, is "whether global powers work with multilateral institutions to adapt their structure and performance to the transformed geopolitical landscape".

This latter finding by the NIC goes to the absolute core of the dilemma we confront today: as we wrestle with an increasingly complex and contested global order but with a global architecture that has not fundamentally changed in two-thirds of a century.

The new and pressing functional demands of a rapidly unfolding global order are now rubbing up against the increasingly dysfunctional nature of global institutions that are either out of their depth; insufficiently empowered; or reduced to a negotiating stalemate by the politics of the lowest common denominator.

We have seen this in a number of global institutions.

We have seen this in the UN Security Council.

We have seen it on nuclear disarmament.

We have seen it in the Doha Round.

We have seen it on the Millennium Development Goals.

We have seen it on climate change.

And most critically, we have seen it recently with the IMF – impeded by its limited and now almost ancient mandate, and by the limited resources made available to it - to deal with a financial and economic crisis of the type we have had forced upon us these last 12 months.

In many respects, the global financial crisis has demonstrated one core point: that the formal institutional architecture established to deal with a potential systemic collapse failed when put to the test - and had to be rapidly superseded by the emergency actions of central banks and executive governments acting through the

agency of the G20. In other words, the pre-existing global financial architecture had reached a tipping point.

And as a result, the global financial system came scarily close to collapse. The world cannot afford a crisis of this magnitude in relation to security, trade, or climate change.

But whether it is nuclear disarmament, global economic management or the environment, I argue we now have an unprecedented responsibility to make the global system work.

We will be failing in our duties as leaders at this point in history if we do not revitalise, reform and re-build the international system. If we do not, we will have failed our generation.

And if we do not, the historians of the future will legitimately look back at this period in history and conclude that we failed as leaders to lead when our nations needed it most.

I do not therefore believe we can simply allow these deep global challenges simply to languish in the global 'too hard' basket.

And, to return to my theme, this can only be achieved by a combination of the national power and the reforming passion of the United States - reinforced by the reforming passion of a core group of states also prepared to help broker the political compromises necessary to make the existing system deliver results.

America's efforts to renew the existing global architecture are already under way.

We see it in the UN Security Council through the President's decision to occupy himself the Chair of the Security Council while the US occupies the presidency.

We see it on nuclear arms control and disarmament.

We see it in relation to the Doha round.

We see it on climate change.

We see it in the UN Millennium Development Goals.

And, most critically, we have seen it through the use of the G20 to frame and implement a global policy response to the gravest global economic crisis we have confronted since the Great Depression.

I note particularly President Obama's statement last week here in New York, that beyond the current crisis he saw an important role for the future of the G20.

I referred earlier to a future US role in global governance as the pivotal power supported by what I have also described as the "driving centre" of the world's major economies.

I believe the G20 provides the best available vehicle for doing that for the future.

The debate about global governance is invariably a debate about the often conflicting objectives of legitimacy and efficiency.

While the UN General Assembly may have absolute legitimacy as a democracy of states, its efficiency as a delivery agent for real global outcomes is limited.

The challenge, therefore, is to develop a body which is sufficiently representative in its membership to have legitimacy while being sufficiently small in its numbers and efficient in its actions to be able to produce results.

In terms of legitimacy, the G20 brings together economies representing around 90% of global market cap, 85% of global GDP, 80% of global trade - and more than two-thirds of the world's population.

The G20 also draws together five countries from the Americas, five from Asia, five from Europe and five from elsewhere, including South Africa and Australia.

The G20 critically includes China and India which between them will shape the pattern of history in the 21st century - (and it should be noted that both these countries have already played the role of constructive, responsible stakeholders in the G20's deliberations.)

The G20 also, for the first time, brings together three countries from the Muslim world, including the largest Muslim country in the world, Indonesia.

But because it is only 20 in number, the G20 is also capable of making effective decisions, as I believe we demonstrated at the London Summit in April.

In particular, decisions taken on global fiscal stimulus; a global framework for toxic asset management within banks; the resourcing of the IMF to deal with any future institutional collapses; the implementation of seven critical areas of financial regulatory reform to reduce the risks of future crisis; and a moratorium on further protectionist measures.

The IMF has estimated that the London G20 Summit actually broke the fall in the global economy which, between September and March, had been engaged in virtual freefall.

We also look forward to working further with President Obama further on the G20 challenges which lie ahead.

Both in Pittsburgh.

And at the Summits that will come after Pittsburgh as we wrestle with the challenges of the future.



Australia supports American global leadership in these great global challenges that lie ahead.

As two robust democracies, we will not always agree.

But these will always be disagreements among friends rather than foes. Always as allies, never as adversaries.

And always in partnership for the common good.

And the reason is simple: there is no more important relationship for Australia than our relationship with the United States of America.

We share common interests.

More importantly, we share common values.

And, for much of the last century, we shared a common history.

We are one of the world's oldest continuing democracies.

We are one of the United States' oldest continuing allies.

We have fought alongside the United States in every major war since US entry into the First World War in 1917.

We are also a country with our own assets to bring to the table.

Of the nearly 200 independent states in the world today, Australia is the 14th largest economy, in market exchange rate terms.

By market exchange rates, Australia is the fourth largest economy in Asia - after Japan, China and India.

Ours is a modern, well managed economy:

- \* We have been the only one of thirty-three IMF advanced economies to have generated positive growth over the past year;
- \* Unlike every Major Advanced Economy, we have so far avoided recession;
- \* We have the second lowest unemployment, the lowest debt and the lowest deficit of all the Major Advanced Economies;
- \* We are using part of our infrastructure stimulus strategy to begin rolling out a high speed National Broadband Network for 90% of the country at 100 megabits per second;

\* And of the world's 9 remaining AA plus rated banks, 4 are Australian.

On security, of the 192 UN member states, Australia's is the twelfth largest military budget worldwide.

We have released a Defence White Paper which, over the next 20 years, will significantly expand our naval forces given the fact that we have responsibility for the third largest maritime jurisdiction in the world.

In Afghanistan, we are among the top ten military contributors and the largest non-NATO contributor.

Second to the United States, we are the largest contributor to the Afghan National Army Trust Fund, dedicated to training the Afghan National Army.

And, as of next year, after the United States, we will be the largest foreign training destination for staff officers of the Pakistan armed forces in counter-insurgency training.

Both globally and within the Asia-Pacific, we pursue an active diplomacy - deploying what we describe as creative middle-power diplomacy.

Australia has established the International Commission on Nuclear Non-Proliferation and Disarmament in conjunction with Japan.

We are committed to implementing the Millennium Development Goals - with a particular focus on the Pacific.

Australia is also working with our regional friends and partners in shaping the long term institutional architecture of the Asia-Pacific region - a region that will increasingly become the centre of geo-economic, geo-strategic and geo-political activity in the century ahead.

It is for these reasons that Australia has advocated a regional dialogue for the long term development of what we have described as an Asia-Pacific Community - for the first time creating a pan-regional body capable of addressing the political, security and economic challenges of our wider region.

We have put a long-term timetable on this - 2020.

Our mission is simple but the task is complex - to craft the habits, the culture and the institutions of cooperation across the Asia Pacific Community - building the confidence and security-building measures and sense of common security which will help the century of the Asia Pacific to be a truly pacific century.

On all these challenges, the Australian Government looks forward to continuing to work closely with the US Administration.

I have recently appointed as our new Ambassador to the United States, Kim Beazley - former Deputy Prime Minister and Defence Minister of Australia - to underpin the importance we attach to this relationship. Kim's distinguished career, his depth of understanding and his love for this country will no doubt serve us well in expanding our great relationship.

Earlier this year, Bob Zoellick, the President of the World Bank, posed a question for us all through the pages of the Financial Times on how we might choose to shape our global destiny for the century ahead.

An "age of reversal and decline" in which we make excuses for inertia? Or an "age of responsibility" in which we decide to tackle the problems of the future together?

Zoellick's definition of an "age of reversal" is stark: an age in which "countries retreat into national solutions behind national borders, taking their memories of prosperity with them" and where immigrants and foreigners are met with intolerance and blamed for rising unemployment.

Conversely, an "age of responsibility" would herald an era of responsible global stakeholders where "inclusivity and sustainability take precedence over the enrichment of a few".

In this "age of responsibility", there would be common responsibility for the stewardship of the planet; common responsibility for the elimination of extreme poverty; common responsibility for the liberalisation of trade; common responsibility for the management of the global financial system.

There are two core concepts alive in Zoellick's "age of responsible stakeholders".

Each of us having sufficient skin in the game to want to make the international system work.

As well as an international system driven by "an expanded steering group grounded in current economic realities".

This is very much the framework within which Australia sees the future of the G20 - what I have already described as a "driving centre" of the existing institutions of global governance.

A "driving centre" in which political agreements can be forged at the highest levels between heads of government in order to drive technical negotiations, otherwise stalemated, towards timely conclusion.

Whether we are debating the global architecture of the future. Or the regional architecture of the future.

Or the detailed global policy agendas that now lie before us – on security, the economy, climate change or development.  
Together we must seize the day.

That is why Australia looks forward with energy and enthusiasm to working with the United States on these great challenges that lie ahead.

Developing the global institutions for the future, and through them, delivering the global policies that might become our future.

To borrow Dean Acheson's phrase of a half a century ago, the United States was "present at the creation" of the world's global governance architecture.

So too was Australia.

Together with you at San Francisco.

Together with you at Bretton Woods.

Present with you at the creation.

Now present with you again, two-thirds of a century later, and this time for the regeneration.

To build together the functioning global institutions that we now need to negotiate the formidable shoals that lie ahead in the 21st Century.