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AUSTRALIA: GLOBAL INTERESTS AND REGIONAL PRIORITIES

**Remarks to the Pell Center
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Thank you very much. What I'd like to do is to say a few words about Australia, a few quick points about the country, make a few comments about the embassy—in particular our strategic priorities—and talk a little bit around those strategic priorities with particular reference to China and East Asia and to counterterrorism.

Australia is really like any other country. It is a function of both its history and its geography. In terms of geography, Australia is a big land mass about the same size as the continental U.S. and that will be relevant when I make a later point on about how things function. However, whereas today the United States has its three hundred million citizen joining it, Australia is a population of about 20.7 million occupying the same land mass. [On October 17, 2006, the United States population reached 300 million]. Gerry [Commodore Gerry Christian, Attaché, Royal Australian Navy] and I have tried to do a bit of travel around the country, and in August we went on a 9,000 mile road trip around the U.S., and as Australians the big thing we noticed standing in the middle of the United States in Kansas or Missouri is that we stand in a part of the country that sees 30 inches of rain a year. The middle of the U. S has big river systems running through it. The United States measures its topsoil in feet and there are lots of big cities around the central part of this country. If one stands in the middle of Australia, one stands in that third of the country that receives *less than ten inches of rain a year*. There are no permanent running rivers. The rivers only run when it floods once in a while, but otherwise they are dry. The topsoil, where it exists, is measured in inches, and the largest town for a thousand miles in any direction is the town of Alice Springs with 25,000 people. So when one travels around the United States, there are some very obvious differences to Australia.

However, Australia is an immigrant society very much like the United States. We don't quite have the diversity of the United States. The largest minority group in the U.S., Latin Americans, constitutes about 14.5 percent of the population. African Americans constitute about 13.5 percent of the population. Australia has no minority groups of that size. Twenty four percent of all Australians were born overseas; 12 percent of all Americans were born overseas. Forty percent of all Australians have one or both parents born overseas, so Australia is very much an immigrant society. Australians are also great travelers. Twenty million Australians have 12 million passports. Compare that to 300 million Americans only having 50 million passports. If you look at the fact that Australia is an immigrant country, and it is a country of travelers, it follows that Australia is a country with global interests. Australia very much has global interests and regional priorities. However, one chooses to see Australia's position, its largest single trading entity is the European Union. Australia's largest single country trading partner is Japan, the second largest is the United States, the third largest is China, and the fourth largest is Korea. So Australia's trading pattern is very much focused East Asia. However, when it comes to investments it is very different.

The U.S. is by far the largest foreign investor in Australia, but equally Australia is the eighth largest foreign investor in the United States. While most countries are small relative to the United States, too often I think Australians see themselves in smaller terms than what they really are. Australia has a population of twenty million people. As a means of comparison, there are currently 191 countries in the United Nations, of those 191 countries, 143 of them have a smaller population than Australia. There is China with 1.3 billion people, India with about a billion, the U.S. with about 300 million, and Indonesia with about 240 million, and from there then it falls away very quickly with countries around 100-140 million people.

So with twenty million people, there are 143 countries with a smaller population than that of Australia. The U.S. economy is about \$12.5 trillion; Australia's economy is \$800 billion. However, there are only thirteen economies in the world that are bigger than Australia's, and the next largest economy after the United States is Japan and that's a two or three billion dollar economy, so the U.S.' economy is a lot bigger than that a lot of other countries. When it comes to defense budgets, the defense budget of the United States is \$500 billion, by far the largest in the world. Australia's defense budget is \$19 billion, but there are only eleven countries in the world with a bigger defense budget than that of Australia. Of one hundred ninety-one countries in the United Nations, Australia's defense budget is bigger than one hundred seventy-nine of them. The next largest defense budget after the United States' \$500 billion is China's with about \$95 billion and then defense budgets drop down to a range of countries that spend \$50-\$60 billion and the like.

At the Australian embassy, we are essentially employed by the Australian tax-payer to be the Australian government's think tank in Washington. We are employed by the Australian tax-payer to be the Australian government's lobby group in Washington. And we are employed by the Australian tax-payer to provide a range of practical services to both Americans and to Australians, whether they be trade, education, cultural services and the like.

We have four major strategic priorities in the embassy from a policy stake. One is trans-Pacific relationships: the relationships between the United States, China, India, and Japan. Those relationships are fundamental to us because it is that set of relationships that determines the political, strategic environment in which we live, and because those relationships determine the political, strategic environment in which we live, we have an

interest in influencing and shaping those relationships to the extent we can in a way that is consistent with our national interests.

Another set of strategic relationships is trade. Australia entered into a free trade agreement with the United States that came into effect in January of 2005, and giving effect to that is important to us at the embassy. Australia has big interests as a trading country. Australia trades about 42 percent of its GDP, by contrast; the United States trades about 20 percent of its GDP, so Australia is heavily dependent on other countries for its wealth. because it is a big trading country. Because of that, Australia has a big interest in the Doha round [The Doha Development Round of the World Trade Organization began in 2001]; Australia shares a big interest with the U.S. there. Australia is very disappointed so far with the response from the European Union and from the two principal developing countries, India and Brazil (working through China.) Australia does not think that the E.U. or those three countries have yet given enough and followed the U.S. lead. The Doha round will be important because that will shape what your Congress does with the U.S. farm bill next year, and the U.S. farm bill is important because it provides over twenty billion dollars in support to United States farming industries that compete with Australian farming industries, and Australian farming industries do not get government support. So, Australia has an interest in a healthy Doha round which will create the right environment for the United States Congress to look at the support it gives to U.S. farmers next year.

A third set of strategic priorities relates to the defense relationship between Australia and the United States. Australia has been in a formal alliance with the United States since 1951, although Australia and the U.S. have fought in all conflicts together, rightly or wrongly, since the United States entered World War I in April of 1917. Australia was in Vietnam from the beginning; Australia has been in Iraq from the beginning; Australia has

been in Afghanistan from the beginning. Because Australia and the United States do a lot of fighting together, and Australia buys a lot of its defense equipment from the U.S., Australia has a big interest in issues relating to information and technology-sharing, which enhances its capacity to work with the U.S. in a battle space. Australia is one of the partners in the Joint Strike Fighter Program. [The Joint Strike Fighter Program is the United States Department of Defense's focal point for defining affordable next generation strike aircraft weapon systems for the Navy, Air Force, Marines, and U.S. allies.] Australia is buying up to 100 F-35 fighters at around seven or eight billion dollars, so Australia has a lot of interest in what the United States Congress decides in terms of its appropriations for the Joint Strike Fighter Program. I mentioned earlier about the Australian Embassy being a lobby group, and so we make our interests known around the Hill and with the administration when it comes to a defense project like the Joint Strike Fighter.

The fourth strategic set of interests relates to counterterrorism. Australia is an interesting case study when it comes to terrorism. Australia was not in Lebanon in the early 1980s. Australia did not have troops in Saudi Arabia after the first Gulf War. Australia is not the country that others look towards to resolve problems. Australia is not the country that was central to the Middle East peace process, and Australia is not the country that some others consider to be the "Great Satan." Despite that since September 11, 2001—and this is to some extent a false starting point, but nonetheless for the purpose of the statistics and the point I want to make it is worthwhile—more Australian civilians have been killed in terrorist attacks than American civilians, British civilians, French or German civilians. Australia has had an aborted, a disrupted, or an actual attack against its interests either in Australia or overseas every year between 2000 and 2005 inclusive, so for almost six years beginning in 2000, Australia has had an actual terrorist experience every year. There are currently twenty-

two or twenty-three people imprisoned in Australia who have either been convicted of terrorism offenses or who are awaiting trial on terrorism offenses, so Australia has a real interest in counterterrorism. Australia is a good example of the global dimensions of the problem and how one does need to be the “Great Satan” in order to be a target.

Prior to September 2001, Bin Laden’s statements only ever referred to the United States and its allies. There were some specific references to Israel, and there was one specific reference to the United Kingdom by Bin Laden prior to September 11, 2001. He first specifically mentioned Australia and legitimized it as a specific target in November of 2001 when he referred to the Australian troops who had gone into East Timor in 1999 as a “crusade force,” which had separated East Timor from the land of Islam. Since then, Bin Laden and his deputy Al-Zawahiri have regularly mentioned Australia as a target. After September 11, 2001, the organization that I previously headed up, the Australian Security Intelligence Organization, set about seeking to identify as many Australians as we could who were connected to Al Qaeda and other likeminded groups. We had already identified a number of individuals who were trained in Afghanistan prior to September 11, 2001, but after September 11, we put more resources into that effort, and we discovered more.

Those investigations took us from Indonesia to inside the Arctic Circle and took us to every continent but Antarctica. In 2003, we disrupted planning for a terrorist attack in Australia. There is someone currently serving twenty years in prison in Australia for his involvement in that planning. There are two other people awaiting trial in Australia, and there is one person awaiting trial in France. The person who came to Australia to initiate the planning with the others who were already in Australia was born in the Caribbean. He converted to Islam and was introduced to radical Islam in France, trained with the Lashkar-e-Tayyiba, the Kashmiri terrorist group closely identified with Al Qaeda, in Pakistan, and he

came to Australia to carry out a terrorist attack. That is quite a itinerary: Born in the Caribbean, introduced to radical Islam in France, trained as a terrorist in Pakistan, and came to Australia to carry out the terrorist attack. He is awaiting trial in France at the moment.

The global dimension of the issue of terrorism needs to be understood, and the way it is connected needs to be understood. Everyone, of course, spends a lot of time focusing on his/her part of the world, and that is perfectly understandable. Take, for instance, last year when on the seventh of July 2005, there was a terrorist attack in London. Because the United States is understandably electronically wired up with the United Kingdom, news of the attack reigned for about seven days non-stop on your TV news services such as CNN and Fox, and it understandably received very big coverage in United States newspapers.

On the first of October of 2005, there was a *second* terrorist attack in Bali. The terrorist attack in London killed about 53 people while the terrorist attack in Bali killed about 21 or 22 people. There was *one* story about the Bali attack, which started on the front page of the *Washington Post* on a Sunday and landed in the International News section of the *Washington Post* the next day. Thereafter there was *zero* mention of the terrorist attack in Bali in the *Washington Post* except for the odd little bit. What that told me was that some of the people connected to the *Washington Post* did not understand that the chapter of the global story that was being written on the seventh of July in London was precisely the same story, the next few paragraphs of which were being written in Bali on the first of October. It was precisely the same unfolding global story. It was simply geographically different. We all have our focuses differently around the globe, and we therefore come to get certain things out of balance.

My own personal view on terrorism is not a view that would be shared by many experts and it is not a view shared by a lot of scholars. My own view is that issues of poverty

and education in Afghanistan and Iraq are not central, are not the core underlying reasons for terrorism as opposed to with the Middle East issue. I think poverty, education, and the Palestinian issue are important issues in their own right, which if addressed would unquestionably help in countering terrorism. Clearly, if there was a peaceful and permanent solution to the core Middle East issue, it would take away a lot of oxygen from Al-Qaeda. However, I believe it is a mistake to see Al-Qaeda as merely an outbreak of the Middle East issue, and I think it is a mistake also to see issues of poverty and education as being at the core of the challenge we face when it comes to terrorism.

I think it is very comforting to us as a community, and is very comforting to us psychologically to be able to explain terrorism in terms of world poverty, education, and the Middle East issue, because it explains the challenge in concrete terms and gives us a sense of some control over the challenge. It is an explanation which is essentially saying: it's about poverty, it's about education, it is about the Middle East situation. If we can resolve those issues, the challenge will go away. In other words, it gives us a sense of control.

It is far more challenging to be confronted with something which is driven by people on a different playing field, playing by different rules of the game. I believe the core of the challenge we face with Al-Qaeda and likeminded groups globally is the fact that they have a *positive* view of what they want the world to be. Their ideology is less a reaction to our sins, less a reaction in terms of poverty and the like, it is far more a *positive* world view which they have, and it is a world view which Bin Laden possesses. One of Bin Laden's ideological and philosophical mentors is his deputy Al-Zawahiri, one of Al-Zawahiri's was someone called Sayyid Qutb, one of the founders of the Muslim Brotherhood in Egypt in the 1950s, and Sayyid Qutb had philosophical and ideological forefathers before him. His ideology stems from a militant literal interpretation of the Koran. It seeks to hijack Islam as a religion, even

though overwhelmingly the vast majority of Muslims reject that militant interpretation and want nothing to do with it. Nonetheless, radicals seek to hide within Islam, and they seek to hide in the language of the pious to get across their message of hatred. I think the core of the challenge we confront is a positive world view, and I think it is important to understand that because it, in part, explains why terrorism of this sort is going to be around for a long time. Who the president of the United States is, is going to be less relevant to Bin Laden and likeminded groups around the world than what everyone might like to think.

While decisions that your country and my own country make can obviously exacerbate issues, and while we can make decisions that are mistakes, nonetheless it is not that decision-making that is driving the challenge that we face. It is a positive world view for what the terrorists want the world to be.

So that's all I wanted to say by way of intro. I haven't said much about China. I haven't said much about India or North Korea. I am very happy to take questions on any of that or any other issue that you might want. But rather than talk for any longer, I would prefer to respond to questions or engage in any discussion on any issue that anyone would find of interest.

QUESTIONS AND ANSWERS

How has Australia's national defense changed since 9/11?

Since 9/11 we have embarked on quite a few reviews just as you have. We haven't had to fundamentally change our structure the way you have. Your 9/11 commission recommended certain changes to your security arrangement and you now have a Department of Homeland Security. We have not made fundamental changes to the

machinery of our government. We did not create new organizations; however, we did fundamentally review the way different organizations work together. We created new mechanisms that we thought would encourage more cooperative arrangements between different agencies.

We gave a lot more money to our counterterrorism organizations. The military did receive more money in certain particular areas. We have spent a lot more on protective security. Our diplomacy now encompasses counterterrorism in a way it didn't before and we reviewed our own rules and we've introduced since 9/11 new domestic rules some of which have been very controversial. So we have responded to September 11, 2001 much like yourselves and other countries have.

Would you elaborate on what you think Australia's role both in Asia and Southeast Asia should be?

We currently have military commitments in both East Timor and the Solomon Islands because of certain issues that have developed in those countries. We give enormous amounts of assistance to Papua New Guinea where, of course, we were the colonial power up until 1975. Indonesia is of course central to Australia. Three things are important about Indonesia. Indonesia is the fourth most populous country in the world. It is the world's largest Muslim country and it is the world's third largest democracy after India and the United States. It is an embryonic democracy; however, its last two presidential elections have been fair and reasonable, according to international observers. And there is a functioning democratic legislature. There remain the problems of institutional inefficiency and corruption.

In Southeast Asia we have a challenge that we continue to have terrorists groups in Southeast Asia who see Australia as sometimes their first port of call. The Australian embassy in Jakarta was subject to a terrorist attack September 9, 2004 and of course there was the Bali attack in 2002 and “Bali 2” in October of last year and in the meantime there have been other attacks.

There continues to be a small number of [...] in Indonesia who teach a militant interpretation of the Koran and those few number of students who want to give substance to that teaching and go to terrorist training camps in the southern Philippines and receive their training. Much of the Southern Philippines remains out of the reach of Manila. The U.S. and Australia have been working very closely with the Philippines in addressing that issue, but it is not an issue that will be resolved anytime soon. So there continues to be terrorist training camps in the southern Philippines, and people can go there to achieve training if they're inclined. So Indonesia looms very large for us.

Southern Philippines, Malaysia, and Thailand also loom large. With regards to Papua New Guinea and the island states of the Pacific, their real issue is the smallness of their size, the viability of their economies, and the degree to which they are therefore open to outside influences either through organized crime or through countries that want to create mischief. Both China and Taiwan compete actively in the Pacific for the fate of the small Pacific island countries because they are small and can be bought easily because of the carrier vote in the UN. So that's an issue that we've been dealing with increasingly over the past couple of years.

Could you talk to me about how the trade negotiations with Australia and the United States worked out? I know one issue was the pressure of the U.S. to advertise drugs and the other was the U.S. wanting to have more content on Australian TV.

There was pressure from the U.S. in those two areas. However, the U.S. government when it negotiates any free trade agreement, including with allies like Australia, seeks to negotiate an agreement consistent with its own interests. It is more concerned in its own interests than ours and, not surprisingly, when we enter into a negotiation we are more interested in our interest than yours. So you've identified two areas where the U.S. did have interest. The way it worked out is that we did not make any changes to our pharmaceutical benefits arrangements. So the agreement is not changed. Issues related to our medical scheme, which some people in the U.S. consider socialized medicine. We would consider that we have a health system rather than a health-industry.

There are only two countries that allow advertising of pharmaceutical products on TV, and you wouldn't guess them. One is the U.S., but you wouldn't guess the second one. It's New Zealand. They are the two Western countries that allow advertising of pharmaceutical products on TV, but we didn't open the door to that. In terms of increased U.S. content on Australian television there was an arrangement negotiated which was more about copyright than the degree of actual content. And what was reached there was certainly satisfactory to your industry and will be certainly satisfactory to ours.

Since New Zealand had a financial crisis and since all countries are driven by trade, was a deficit accumulating in New Zealand? How long do you think United States will be dominant in trade and the dollar with trade deficits running \$700 billion?

The New Zealand economy is much smaller than Australia's. We do have a very close economic relationship. We essentially have open borders between New Zealand and Australia. Our exports are in part commodities-driven. About 40 percent of our exports earnings come from commodities. However, we are more diversified than that. We export motor vehicles to the Middle East. We have exported some motor vehicles to the U.S., although not many. We are a reasonably diversified economy. The value of our dollar is very much determined by commodities. If you chart commodity prices over the last forty years and you chart the value of the Australian dollar over the past forty years you'll see that it runs fairly closely. In terms of your questions about the U.S., I've heard Alan Greenspan been asked the same question and I've heard him answer it, however I could not hope to repeat the answer he gave because I'm not an economist. People do raise a question about the imbalance in the global system at the moment and how long that can continue. The U.S. has a big trade imbalance; however, that is compensated by the amounts of U.S. products that are purchased by countries like China and Japan. And there are some economists who argue that there is no reason why that couldn't continue indefinitely. Other economist argues differently.

The US role in Iraq is a divisive issue in this country. What kind of support for Australia's role in Iraq exist in your country?

Polling in Australia with respect to Iraq is very similar to the United States. A majority of Australians believe the Iraq war was a bad idea. Equally a majority of Australians believe it would be a mistake to simply leave Iraq without lot of forward, careful planning. So polling in Australia is very similar to polling here. Of course, you, the U.S., carry a burden because you have troop numbers in Iraq way in excess of any of your coalition partners;

therefore, obviously, the intensity in United States is much greater than what it is in Australia.

There was an election in Australia in November 2004, eighteen months after the March 2003 invasion of Iraq. Iraq was not the issue during that election campaign, in part, I believe—this is a personal view—that the opposition party which was opposed to our involvement in Iraq, did not see it as getting a lot of mileage as an election issue. The government was returned in that election with an increased majority. Our next elections are due by November 2007; where we'll be in Iraq and how it will play electorally, I don't know. We don't have the intensity of the debate that exists here.

Could you please explain the racial and religious makeup of Australia?

The two things to be aware of with respect to Australia are as follows: 1) Australia has an indigenous population. Indigenous Australians make up about 2.6% of our population. They were not recognized as citizens of Australia until 1967. There was in part a civil rights movement that gave rise to that. There was also a broader view in the community that it did not make sense for all sorts of moral reasons. The second thing to be aware of is that the Third Act of Parliament passed by the Federation in 1901 was the White Australia Policy. Between 1901 and the 1960s, immigration into Australia was determined on racial grounds not on grounds of merit and the like. The White Australia Policy started to break down during the 1960s, was formally ended in 1972, and it's for that reason that it was not until 1983 that the total number of Chinese-born Australians equaled what it was in 1900.

The racial composition of Australia has undergone enormous change over the last 30 to 35 years. Of the top 10 sources of immigration countries for Australia, seven of them are in East Asia. Our immigration program is now entirely based on skills and family migration.

We have a heavy migration out of the Middle East, South Asia, and Southeast and Northeast Asia. We are one of the few countries, along with your own, to have an active refugee program. And that means we have a flow of people out of places like the Sudan and Somalia and other parts of Africa and that subsequent leads to family migration. So that's the racial composition with respect to Australia.

In terms of religious composition, we are overwhelmingly Christian. In the last census of 2001, about 76% or 77% of Australians identify with a religion. About 24% of respondents in that census did not put that what religion they were. Of the Christian religions, their largest single group is Catholics. That reflects in particular migration out of Italy and other countries since the Second World War. The second largest religious group is the Church of England. We don't have as many Baptists as you do and religion and politics don't get quite as mixed up in Australia as in some parts of the U.S. The Jewish community numbers, according to Census numbers, are about 80,000. According to the Jewish community leaders, it's close to 100,000. Muslims are about 300,000 – 400,000. They make up about 1.5% of our population. They make up about 0.5% of your population. Buddhists number about 200,000. So we are overwhelmingly Christian.

I believe you mentioned that the terrorist problem stems from a small minority of hard-core people who literally interpret the Koran and see the world how they want it to be. Can you elaborate on what on the worldview you talked about that fundamentalist Muslims have?

I think it's important when we talk about Bin Laden and like-minded groups. I don't think the term fundamental Muslim adequately describes their view. It is possible to be a fundamental Muslim and not be a terrorist. It's very, very possible. In fact, some

people use the word “fundamental” where other people would use the word “devout.” I think you need to be careful about what word you’re using. It is a real challenge on some of this. In my last job, I once spent a Saturday with Islamic community leaders talking through some issues. And one of the community leaders said to me “How do I and my community prove to fellow Australians that we are loyal Australians?” And to me that was a question that reflected very poorly on other Australians, including myself. And I said to him “No group of Australians should have to prove to their countrymen that they are loyal, and if you feel that way then the rest of the community is interacting in a way that is not right.”

Equally, I once spent an evening with a specialist medical doctor in Sydney who did his medical degree in the UK for 30 years before and who’s lived in Australia for 25 years. He is a specialist and he has a lot of money. And he argued with me for 40 minutes that 9/11 was a Christian-Jewish conspiracy. When you’re confronted with that in that way and you are dealing with a highly educated person, it is very difficult to know where to begin the conversation. It is difficult to know where to start. When you have a discussion like that over 30-40 minutes and the person you’re talking to genuinely believes what he is saying and it highly educated is very difficult to find a way in. Now he’s not a terrorist. He certainly is a very devout Muslim, and I don’t believe he would give comfort to terrorists even though his worldview in the broadest sense does.

About the 20 or so people that you have in custody, do you know if they are homegrown or immigrants?

Interesting question. Of the 22-23, the first person sentenced to a prison term in Australia for terrorism offense was a Caucasian British migrant who converted to Islam who went to Afghanistan in 1999, trained with Al-Qaeda and received money from Khalil Sheik

Mohammed, the principal planner of 9/11, to return to Australia to attack the Jewish Embassy in Canberra and the Israeli consulate in Sydney. Fortunately, there was a disagreement among that group and they aborted their decision to attack, even though they had done all the casing and all that. He was the first one. Of the others, they are Australian-born, they are foreign-born; they range in age from 19 to 49. They range from someone who left school during high school who is an unskilled laborer through to someone who is a medical student—not to be confused with the person I was talking about—a medical student at the University, through to a professional architect. The professional architect is the one who is serving a 20 year sentence in Australia for his involvement with the French guy; he came to Australia from Pakistan. So we have Caucasian born-Australians, we have Australian-born of Lebanese origin, South Asian origin. And you have South Asian-born, Middle East-born, and North African-born.

The only thing that I can find in common to the whole is a common belief system. I can't identify commonalities in terms of socio-economic background, in terms of ethnic background or in terms of educational background. But they all share a common worldview. They got to that point through many different paths, but that's not something we yet fully understand.

Did they have a legal trial with a judge and jury or was it a military trial?

It was a civil trial. There is an Australian in Guantánamo Bay. There were *two* Australians in Guantánamo Bay, one of whom charges were dropped against and who returned to Australia about two years ago. Regarding the other Australian, some Australians criticize the Australian government for not insisting that he come back to Australia. The Australian government takes the view that he has a case to answer. There were not laws in

Australia that would enable him to be put on trial in Australia and we believe the military commission meets certain basic standards and we are prepared to see him go in front of the military commission in Guantánamo Bay. That's a matter of public debate and disagreement in Australia.

Many people are forecasting the emerging military and economic power of China and India. What do you see is Australia's role in Asia in 2025 or 2050 with China and India?

The domestic dynamics of our relationship with China and India is very different to our relationship to the United States. We are a beneficiary of China's economic development. We have the raw materials that they need in order to grow the way they are. So our trade is about in balance. You, of course, have a \$200 billion trade deficit with China. Therefore, your domestic political dynamics with relation to China are very different than our own. I personally believe that your administrations, both the current and previous one, have managed the relationship with China very well.

When I read Bob Zoellick's [former Deputy Secretary of State and Permanent U.S. Trade Representative] speech of last September when he laid down the conceptual framework for the administration's approach with relation to China, there is very little that I disagree with. We have questions with regards to China's transparency when it comes to defense spending. We understand China's defense modernization. A lot of that is inevitable and a lot of that is an outgrowth of its economic growth. However, we would like to see more transparency. You can look at the US and there is a certain transparency when you read the published quarterly annual reviews or when you read statements every year, there is a certain transparency as to what the U.S. is doing and what it isn't. We would like to see

something like that with respect to China. However, we want to see China being brought in to the international community. We think it's possible without conflict.

With respect to India, of course, the big dichotomy, two observations between India and China. One: Communist China opened its economy before liberal, democratic India. In theory, you wouldn't have that but that's what happened. However, looking ahead 20 years, you can be fairly certain about India's political future. You can be fairly confident that the political system in place in India today will be the political system India will have in twenty or thirty years. We don't know politically what will unfold in China. There's a tension there between where it is going economically and where it is politically and how that tension is going to pan out is really a big question mark. For the moment, China remains overwhelmingly a status-quo power for the simple reason that it needs the status quo in order to grow at the rate it is.

Can you comment on the sanctions issued by the United Nations Security Council when it comes to North Korea?

I don't know whether they will work, but Secretary Rice's visit to Japan and China and South Korea will be very important. I think it will be important for China and South Korea to embrace the implementation of the UN Security Council robustly if the sanctions are to work. If China and South Korea embraced that resolution robustly then the sanctions stand a chance.

My question pertains to Taiwan and China and the tension that exists there. Does Australia have a role to play with respect to the tension that exists there?

We think that tension has been very effectively managed over the last few years. And I think that the U.S. has played a constructive role there. Certainly, the last thing any of us who live in that region want is military conflict to develop over Taiwan. But if China is sensible and Taiwan is sensible, then that shouldn't happen. Both will need to be sensible.

You mentioned CNN and Fox and the *Washington Post*, and some of the differences about drug advertisements. Could you say anything else about media in Australia?

We too have CNN and Fox. And we do have our own 24/7 TV news. Media in Australia is essentially the two dominant players. One is News Limited the Murdoch group. They own a large section of the print media in Australia. Another group, Fairfax group, owns a large slice of the print media. The big TV networks are owned separately. We have certain rules in Australia that prevent people with ownership beyond a certain percentage in the print media from owning free wave television stations and vice versa. We have particularly complicated crossover media ownership rules that I don't fully understand. But, by and large our TV networks are owned separately from those who own our print media, except for some of the cable television networks such as Fox.

Thank you all.