In a world beset by so many challenges, it is always a delight to have an opportunity to discuss ideas in a community of reason.

Robert, thank you for that kind introduction and the great leadership you provide to the Tanner Humanities Center. Congratulations on the reach, scope and quality of your World Leaders’ Lecture Forum to date. You should be very proud of the way you, this Center and this great university are realising your stated ambition to:

‘serve as a catalyst for discussion of global concerns with both immediate and long-term consequences and enable students and the general public to become socially, politically, and intellectually focused on events beyond America's borders.’

I am honoured to have been asked to participate and hope my very broad Australian accent does not perplex you all too much.

I am conscious that in today’s world there are so many serious issues crowding in for our attention that this lecture could have been devoted to a vast range of topics.
We could be discussing the so-called Islamic State and our nations shared preparations to fight this extremism, a discussion which would take us to complex questions about the last war in Iraq, the subsequent failure of Iraq’s government to embrace pluralism, the nature and force of the divide between Sunni and Shia, the radicalisation within Iraq and Syria and beyond. For all of us, these issues command urgent attention as does the deeply troubling conundrum of what drives citizens of our nations to take up arms and fight with the extremists. The beheading videos, which have made us weep and shudder, brought this evil to us with a British accent. Home grown radicalisation and defeating it will necessarily be a cause of our times.

Staying in the Middle East we could be discussing the recent conflict in Gaza and Secretary Kerry’s noble but unsuccessful efforts to secure a lasting peace.

Or we could look north and consider Russia’s ambitions in the Ukraine or to the south-east, to those parts of Africa ravaged by Ebola.

We could gaze at our entire world and focus on climate change, the urgent need to retool our economies and reduce the amount of carbon we generate.

But today, in a world with so much to worry about, to think deeply about, you have asked me to take you to what historically has been referred to as the Far East, to my region of the world, to Asia.

Conscious I may have depressed you with a recitation of the many hard problems we face today, I intend to start with the good news.
Put as quickly and simply as possible, Asia’s rise is the opportunity of this century.

Consider this: when Great Britain industrialised, it took seventy years – the whole period from 1830 to 1900 – for its economy to quadruple.

In contrast, in the last twenty five years the economy of China, a nation of 1.3 billion, has grown by twenty times over. This is industrialisation at warp speed.

China is already the world’s largest manufacturer, the world’s largest exporter and the world’s largest consumer of energy,

China’s story is that of a giant. But the landscape of change is even more vast.

The economies of nations like Indonesia, Vietnam and Cambodia have been growing rapidly. India, while facing many challenges, is also growing. People continue to be lifted from poverty to prosperity day by day.

Singapore and South Korea have emerged from the ruins of different wars into modernity and prosperity. Japan has spent many decades as a peaceful, powerhouse and is working to return to those more halcyon days of strong economic growth.

In combination, the rapid changes across Asia mean than in a few years’ time, my region of the world will be home to the world’s most sizeable middle class, bigger than that of the rest of the world combined, North America and Europe included.
The business opportunities flowing from the creation of this enormous number of moneyed consumers are immense in magnitude.

The Asian middle class will want to live in well-appointed properties, enjoy the benefits of world class infrastructure, have the options and choices that come with new technology and its almost limitless access to information, rely on quality health services when sick, educate their children in good schools, technical training institutions and universities, enjoy holidays in interesting locations. The list goes on and on.

As Prime Minister, I sought to explain this to my nation through a government policy paper entitled *Australia in the Asian Century*. I wanted my nation to understand the depth and breadth of the changes we are living through.

Across my own life time, I have seen my country’s attitude to Asia change profoundly. When I was growing up, Asia was viewed as a source of threat, the popular security doctrine at the time being the ‘domino’ theory, which held if Vietnam fell then communism would just keep on coming.

Asia was viewed as a place of poverty. Australia looked over it to our traditional markets like the United Kingdom, to Europe. We looked to at America, our ally and friend, the place that gave us everything from Sesame Street to MASH.

But, these attitudes to Asia are now firmly parked in a bygone age, in the last century.
As Prime Minister, I understood that across our community everyone from business leaders to military planners to school teachers knew something about Asia’s rise and change. But in our policy paper, I wanted to join it all up, to provide the best prediction of what Asia’s rise would mean for this century. To ensure that our nation proceeded with confidence and had a plan to navigate this time of change and seize the opportunities that could flow from it.

For Australia, what this Asian century means is that the things that used to be considered our traditional disadvantages – our reliance on natural resources, our location in the world – have become great new strengths.

For much of the post-war period, Australia was seen as an ‘old’ economy.

Overly dominated by primary industry, overly reliant on extraction for export, through a long period when commodity prices were on a steady but continuous decline.

But since 1970, close to four hundred million Chinese have moved to cities, with another two or even three hundred million expected to do the same in the next twenty years.

And you don’t build cities without commodities. Our steel, iron ore and coking coal are essential to the construction of Chinese apartments, rail lines and factories.
And in those growing cities Australia would want to see those apartments filled with our high-end manufactured goods, our clean, high quality food produce and our premium wine.

Those consumers will look to countries like Australia for tertiary educations and for technical skills.

They could look to Australia too for quality health care, for progressive and caring approaches on aged care, for innovations in scientific research and medicines.

Australia therefore is no longer an old economy and no longer subject to the ‘tyranny of distance’ either.

Asia has turned this on its head, giving us what The Economist neatly termed ‘the advantage of adjacency’.

For the first time, we are closer to the fastest growing and most economically dynamic region of the world than our competitors.

As a proud Australian, inevitably my focus as Prime Minister was on the potential benefits for my nation of Asia’s rise. I sought to explain to the Australia people that we are living in an age of remarkable opportunity.

But, I can hear you thinking, that’s great for Australia but for the United States isn't this a story of being relegated to economic second place, of economic decline? The answer to the first of those questions may inevitably be yes but to the second I would assert an unambiguous "No."
The 21st century world will not be a continuation of the uni-polar world of the latter part of the 20th century.

At some point, comparatively soon, the total Gross Domestic Product of China will exceed that of the United States.

So how depressed should you being a future total GDP second place getter?

In my view not at all. Rather, Asia’s rise means the innovative, resilient, entrepreneurial US economy can be a beneficiary of the resulting economic growth.

President Obama certainly demonstrated his understanding of this economic dynamic when he announced the pivot towards Asia. I saw him pursue growth for the US economy at the Asia Pacific Economic Forums we attended together including the one he hosted in Hawaii.

It is the underlying strategy of his drive to create the Trans Pacific Partnership, 21st century trade agreement embracing eleven nations in the Asia-Pacific.

These steps are vital preparations by the President for the future.

I endorse his activism. As I explained to my nation: winning in the Asia century has to be fought for not lethargically assumed.
To my own nation, I said we would come out winners if we were at our most productive, if we were in the right economic shape to compete and seize our share of Asian growth. That meant winning the education race and increasing the skill levels of our labour force. Building the right infrastructure including broadband. Streamlining our regulatory settings and overcoming the baggage of inconsistent regulations in our nation’s different states and territories. Starting to decarbonise our economy, given its status as one of the most carbon intensive in the world. Doing the trade deals that would ease tariff, quota and behind-the-border barriers. Fiscally it also meant a budget in balance across the economic cycle.

It is not for me to lecture you about the domestic policy suite here in the USA. But I do feel able to at least proffer this. In the 21st century, competition will be fiercer. Getting ever better at what you do, ever more productive, does not happen without government acting with purpose, unfettered by gridlock, to feed increased productivity.

My economic message is one of opportunity to be seized. I wish the USA luck in doing so but not so much luck that Australia in any way misses out.

But, it is inevitably the nature of our world, that change brings opportunity and risks.

President Obama’s pivot towards Asia was not just about economic matters, as important as jobs and prosperity are to the American dream. It was also a profound recognition that as economic weight changes, so does strategic weight.
As the geo-political heft and military capability of an ascendant China increases, some see a threat to peace and stability, to the very security of the West. This spurs a lively policy debate here in America. So it should because this is one of the seminal issues of our times.

In this debate some advocate a US led containment strategy of China.

I think this is a proposition that should be rejected outright in favour of a more practical, balance, nuanced and, at the end of the day, optimistic view of the future.

Australia has had cause to deeply consider and debate our perspectives on China’s rise. The USA is our ally, while China is our biggest customer for our exported goods. Never before in Australia’s history have we confronted a situation where our economic future is so dependent on a nation that is neither an ally nor a democracy. This is a situation that requires deep reflection and we did that thinking in drawing up our *Australia in the Asian Century* policy paper.

As we did the writing of it, our own public policy discussion included voices which said that for Australia, our relationships with China and the US are a zero sum game, that it is impossible to strengthen one unless it is at the expense of the other.

I founded both the policy paper and my foreign policy actions as Prime Minister on the premise this was wrong and that we could improve both relationships at the same time.
I proved this could be done by securing new diplomatic architecture with China, a guaranteed leaders’ level meeting annually, a privilege enjoyed by only a few nations in the world, while furthering our alliance with the USA by having marines train in our north.

So it is with some sense of having been there and done that, having prevailed as an optimist, that I can say to you today that China’s rise means there are security issues to be managed but it can be done.

The right question is how. In our White Paper, we encapsulated the challenge and the seeds of the solutions in the following words:

‘The relationship between China and the United States, the two most powerful states influencing the region, will do more than any other to determine the temperature of regional affairs in coming decades.

Beijing and Washington both want to develop constructive relations and avoid conflict: their governments have consistently said so; the intensity, structure and sophistication of their engagement, often underestimated, has shown it; and they have deeply interlinked interests that will push them that way.

We are optimistic about the ability of China and the United States to manage strategic change in the region. But their relationship will inevitably have a competitive element, especially as China’s global interests expand, it becomes more active on a broader range of international issues and its
defence capabilities grow in areas dominated for more than half a century by the United States.

...We consider a strong and consistent presence by the United States in the region will continue to be as important in providing future confidence in Asia’s rapidly changing strategic environment as it has in the past. We will support this through our alliance with the United States.

At the same time, ...We welcome China’s rise, not just because of the economic and social benefits it has brought China’s people and the region (including Australia), but because it deepens and strengthens the entire international system. We have consistently supported the reform of global institutions to make them more representative of the large emerging economies and the modern world.

We accept that China’s military growth is a natural, legitimate outcome of its growing economy and broadening interests. It is important that China and others in the region explain to their neighbours the pace and scope of their military modernisation, to build confidence and trust.'

As this extract from the White Paper makes clear, security issues don’t just take care of themselves.

Even while the in-trays of global leaders bulge with hard security issues, there is work to do in our region of the world on the pressing and potentially flash point issues.
One is the unresolved territorial disputation between China and Japan, a tension that has periodically run very hot. I was witness to that personally at an Asia/Europe meeting where a fierce and most undiplomatic argument broke out between the representatives of China and Japan. It is a tension that could unpredictably escalate or be subject to miscalculation. It requires active and considered management.

The second is the disputation about territory in the South China Sea.

This is not an argument about disruption to shipping lanes. It is an argument about territory and what comes with territory, namely the economic rights to exploit resources in adjacent waters.

China’s argument, its advocacy of what is known as the nine dash line, indicating its claimed territory, is causing rising tensions with weaker nations like Vietnam and the Philippines. Early this year, the presence of a Chinese oil rig in disputed waters fuelled a violent reaction in Vietnam and victimisation of the local Chinese community.

A suspiciously watchful eye is kept by countries in the region on other Chinese activity. Recent media photos show artificial islands are being rapidly build on reefs in disputed waters.

Last month’s leaders’ meeting of the Association of South East Asian Nations in Myanmar issued a clear statement of concern about the tensions with China.
ASEAN, known for its consensus approach and diplomatic restraint, issued a blunter statement than is usual in which it –

"urged all parties concerned to exercise self-restraint and avoid actions which would complicate the situation and undermine peace, stability and security in the South China Sea".

It is all of our interests to see the growing tensions in the South China Sea resolved peacefully and amicably. Getting there will require huge diplomatic efforts and resources. It will only be done with the USA deeply engaged bilaterally and multilaterally.

Multilaterally, the key place to pursue this issue is the East Asia Summit, which brings the ten South East Asian nations around the one table together with Australia, the US, China, India, Russia, Korea, Japan and New Zealand. The EAS has the potential to grow in to a regionally significant dealing table for the resolution of hard questions.

It was a very important moment when President Obama and Secretary Clinton led the US in to becoming a member. My predecessor as Prime Minister, Kevin Rudd, played a key advocacy role in ensuring this occurred.

It was a very bad moment when Budget gridlock in Washington prevented President Obama from attending the last meeting.

As in the economic sphere, it is important that constant pursuit of purpose is not jeopardised by domestic political dysfunction.
I leave resolving that question on your politics to you. I wish you good luck. Something tells me you may need it.

Let me conclude by saying that today I have sought to be clear with you about the opportunities and risks associated with Asia’s rise, in the same way I sought to be clear with my own nation in our *Australia in the Asian Century* policy paper.

Opportunities and risks - our world, our region has both.

But as an optimist, I believe the opportunities are greater and the risks can be managed.

But these are big judgement calls. It is important to debate them and think them through. In this community of reason I know there are many very talented and interested people who will do just that. I hope my contribution assists your contemplation.

It is a pleasure to be with you and I look forward to the conversation to come.