

2017 Foreign Policy White Paper



Australian Government

Opportunity Security Strength

Prime Minister's introduction



Change, unprecedented in its scale and pace, is the tenor of our times. These are the most exciting times, the times of greatest opportunity, but they are also times of uncertainty, of risk, indeed of danger.

But in the midst of such change, Australia's values are enduring. We are one of the oldest democracies and the most successful multicultural society in the world.

We are creating the competitiveness and flexibility our economy needs to thrive in an interdependent, fast-changing world. But we must also acknowledge we are facing the most complex and challenging geopolitical environment since the early years of the Cold War. We cannot assume that prosperity and security just happen by themselves.

The 2017 Foreign Policy White Paper is grounded in our national foundations of freedom, equality, the rule of law and mutual respect. Our commitment to those values and the institutions which uphold them gives us confidence and credibility in the global competition for customers, capital and talent. That same commitment serves to strengthen the stability of our region and reduce opportunities for coercion. This White Paper shows how our economic and security interests are converging.

More than ever, Australia must be sovereign, not reliant. We must take responsibility for our own security and prosperity while recognising we are stronger when sharing the burden of leadership with trusted partners and friends.

This Foreign Policy White Paper shows Australia to be focused on our region, determined to realise a secure, open and prosperous Indo-Pacific, while also strengthening and diversifying partnerships across the globe. It shows how we are meeting the challenges of an uncertain future with confidence, open to the world and its opportunities, while resolutely resisting threats to our way of life.

A handwritten signature in black ink, which appears to read 'Malcolm Turnbull'. The signature is fluid and cursive, with a period at the end.

Malcolm Turnbull
Prime Minister of Australia

Ministerial foreword



Julie Bishop
Minister for Foreign Affairs



Steven Ciobo
Minister for Trade, Tourism
and Investment

The 2017 Foreign Policy White Paper sets out a comprehensive framework to advance Australia's security and prosperity in a contested and competitive world.

Informed by our values, it describes Australia's national interests and the Government's international engagement priorities. It is our agenda for opportunity, security and strength.

Over the decade ahead, technological change, challenges to globalisation and the rules-based international order, continued economic dynamism and growth in Asia, shifts in strategic power regionally and globally, Islamist terrorism and climate change are among the significant trends shaping our world.

Some of these developments challenge Australian interests. Others bring opportunity. Australia should respond with confidence. We are a regional power with global interests. Our strong economy and institutions, innovative businesses, educated and skilled population and secure borders provide solid foundations for success.

As this White Paper makes clear, in a complex and uncertain environment we will have to work harder to maximise our international influence and secure our interests.

We will need to keep reforming our economy, boost our competitiveness and resilience, and invest in the other domestic foundations of our national strength.

A framework for the future demands active and determined diplomacy and strong partnerships to help advance a secure and prosperous Indo-Pacific and strengthen the rules-based international order. We must step up our efforts to support a more resilient Pacific. A diverse and evolving set of national security threats requires strong defences at home and resolute action abroad to keep Australia safe, secure and free.

We must guard against protectionism and build robust support for open economic settings by ensuring all Australians have the opportunity to benefit from our growing economy. Our trade and investment agenda will assist by boosting jobs and supporting higher living standards.

It has been 14 years since the last comprehensive white paper on Australia's international engagement. While national interests are enduring, the international environment in which we pursue them has changed significantly, and so too has Australia.

We hope that future Australian governments regularly take the opportunity to engage the Australian community on our place in the world and explain the reasons for our international engagement. For our part, the Government will keep the policy settings in this White Paper under review against a changing external environment.

We thank state and territory governments and the many individuals and organisations who made submissions to the White Paper and who engaged directly in our public consultation process.

The development of the White Paper encouraged a wide-ranging public discussion about Australia's place in the world and promoted greater understanding of our diplomatic activities and how the Government seeks to enhance Australia's security and prosperity through foreign policy.

This has been immensely valuable and we will ensure it continues.



Julie Bishop
Minister for Foreign Affairs



Steven Ciobo
Minister for Trade, Tourism
and Investment

Overview

The Government is publishing this White Paper to chart a clear course for Australia at a time of rapid change. Over the coming decade Australia will need to pursue its interests in a more competitive and contested world.

Our world is now more interconnected and interdependent than at any other time. Scientific and technological advances and the speed with which ideas and knowledge can be transmitted have driven economic growth and helped millions of people live longer and better lives. Australia and Australians will have great opportunities to prosper.

At the same time, concerns about globalisation and levels of political alienation and economic nationalism in many countries are on the rise. The same connectedness that empowers individual citizens increases risk and volatility in the international system. Similarly, it amplifies the reach and impact of non-state actors, including those who would do us harm.

In the Indo-Pacific,¹ the economic growth that has come with globalisation is in turn changing power balances. The United States has been the dominant power in our region throughout Australia's post-Second World War history. Today, China is challenging America's position.

Australia and our regional and global partners face a diverse range of security threats, from North Korea's long-range missile and nuclear programs to Islamist terrorism.

State fragility, demographic shifts and environmental challenges like climate change will continue to shape our world and demand policy responses.

Powerful drivers of change are converging in a way that is re-shaping the international order and challenging Australian interests.

In the decade ahead, Australia will need to be competitive and agile to take advantage of the opportunities that will come from dynamic Asian economies and technological and scientific advances.

In parallel, risks to our interests are building. In particular, the stability of the Indo-Pacific region, which has underpinned its economic transformation, cannot be assumed.

Any significant rise in protectionism globally could create strategic friction, damage economic growth and undermine the rules that support flows of trade and investment.

Similarly, the rules and institutions that help maintain peace and security and guide global cooperation are under strain. In some cases, major powers are ignoring or undermining international law. With many divergent interests and shifts in power between states, it is more difficult to get governments to respond collectively to some security and economic challenges. In the United States, there is greater

¹ We define the 'Indo-Pacific' as the region ranging from the eastern Indian Ocean to the Pacific Ocean connected by Southeast Asia, including India, North Asia and the United States.

debate about the costs of sustaining its global leadership.

In this dynamic environment, Australia must seek opportunity while protecting our interests in the face of complexity and uncertainty.

In a more contested and competitive world, our domestic and international policies will have to work together to maximise our national power and international influence. We will require active, determined and innovative foreign policy built on strong domestic foundations—a flexible economy, strong defence and national security capabilities and resilient democratic institutions within a cohesive society.

These broad themes—opportunity, security and strength—sit at the heart of this White Paper. They recognise that an outward-looking Australia fully engaged with the world is essential to our future security and prosperity.

Foundations for success

The Government's starting point is that we should approach this period of change with confidence. Australia has the strength to shape its own future.

At home, our democratic institutions, open society and strong economy underpin significant defence, foreign policy, border protection, law enforcement and security capabilities. Our economy has grown for 26 consecutive years. We are a member of the Group of 20 (G20). Our standard of living is one of the highest globally. We live in the most economically dynamic region of the world and have the minerals, energy, goods and services sought by growing Indo-Pacific economies.

These are strong foundations for international success. They give us advantages in a period of uncertainty and change that many other nations will not enjoy. Even so, in the decade ahead Australia will have to work harder to sustain our influence and secure our interests.

A strong, competitive economy will be fundamental to our future prosperity. A growing economy helps to maximise our weight in the world as countries in our region gain in strength and influence.

Innovative, outward-looking and well-governed countries will also enjoy advantages in a competitive and interdependent world. Nations with flexible economies and resilient institutions will better withstand occasional systemic shocks. Countries positioned to adapt and innovate will be able to seize opportunities and to support citizens through periods of change.

In the decade ahead, strong diplomatic, defence and national security capabilities will be essential to shape events to our advantage. Our development assistance will support efforts to build a stable and prosperous world, with a focus on the Indo-Pacific.

Our dynamic commercial sector, the stability of our policy settings, our reputation as a reliable trading partner and the excellence of our institutions and standards magnify our international influence.

Australia's values are a critical component of the foundation upon which we build our international engagement. Our support for political, economic and religious freedoms, liberal democracy, the rule of law, racial and gender equality and mutual respect reflect who we are and how we approach

the world. They underpin a strong, fair and cohesive society at home and are a source of influence for Australia internationally.

A framework for opportunity, security and strength

The policies described in this White Paper serve the national interest by advancing the prosperity of Australia, the independence of our decision-making and the security, safety and freedom of our people. They provide a framework to guide the deployment of our resources and capabilities in pursuit of our highest foreign policy priorities.

We identify five objectives of fundamental importance to Australia's security and prosperity. The Government will:

- promote an open, inclusive and prosperous Indo-Pacific region in which the rights of all states are respected
- deliver more opportunities for our businesses globally and stand against protectionism
- ensure Australians remain safe, secure and free in the face of threats such as terrorism
- promote and protect the international rules that support stability and prosperity and enable cooperation to tackle global challenges, and
- step up support for a more resilient Pacific and Timor-Leste.

Collectively, these priorities and the policies that support them provide a clear-eyed and active agenda for Australia's international engagement. They are bound by a common thread—each seeks to respond

to the opportunities and uncertainties of a contested world. In many instances, they build on current policy settings with new approaches and higher levels of activity and ambition.

While the Indo-Pacific is of primary importance to Australia, these priorities also reflect the global scope of our national interests and foreign policy.

Planning for an uncertain decade is inherently difficult. In the current environment, it is possible that some of the trends identified in this White Paper will move against Australia's interests in ways that require further responses. Agile policy and regular reviews of our foreign, defence and national security frameworks will be important.

A stable and prosperous Indo-Pacific

Australia's interests are clear as the distribution of power in the Indo-Pacific changes. We want peace to help sustain the growth that has brought the region to the centre of the global economy. Equally, we want a region where our ability to prosecute our interests freely is not constrained by the exercise of coercive power.

For Australia, the stakes could not be higher. The Indo-Pacific encompasses our most important economic partners and its dynamism supports economic growth in Australia, creating jobs and increasing our standard of living.

Our cultural, educational and people-to-people links are also deep. The region is the source of many of our biggest migrant communities, which are vital to our modern, vibrant nation.

Navigating the decade ahead will be hard because, as China's power grows, our region is changing in ways without precedent in Australia's modern history.

North Korea's destabilising nuclear and missile programs also raise the risk of a conflict that would dramatically re-shape Asia's security landscape and have severe economic and humanitarian consequences.

The starting point is to be clear about the kind of Indo-Pacific region we want. We set out our vision for a neighbourhood in which adherence to rules delivers lasting peace, where the rights of all states are respected, and where open markets facilitate the free flow of trade, capital and ideas.

Our alliance with the United States is central to Australia's approach to the Indo-Pacific. Without strong US political, economic and security engagement, power is likely to shift more quickly in the region and it will be more difficult for Australia to achieve the levels of security and stability we seek. To support our objectives in the region, the Government will broaden and deepen our alliance cooperation, including through the United States Force Posture Initiatives.

The Government is committed to strong and constructive ties with China. We welcome China's greater capacity to share responsibility for supporting regional and global security. We seek to strengthen our Comprehensive Strategic Partnership for the benefit of both nations.

To support a balance in the Indo-Pacific favourable to our interests and promote an open, inclusive and rules-based region, Australia will also work more closely with the region's major democracies, bilaterally and in small groupings. In addition to the United States, our relations with Japan,

Indonesia, India and the Republic of Korea are central to this agenda.

As competition for influence in the region grows, the Government will increase Australia's efforts to ensure we are a leading security, economic and development partner for Southeast Asia. We will also reinforce the regional forums that promote economic and security cooperation.

We will work to ensure regional trade, investment and infrastructure building are inclusive and based on market principles. We want an open, outward-looking regional economy strongly connected to global markets. This will maximise economic growth and help guard against protectionism and strategic rivalry. Our long-term vision is for a region-wide free trade area that includes all major economies.

Australia will boost defence engagement to enhance the capacity of our regional partners to manage security challenges. Our development assistance program will help to support stability and prosperity. We will promote high-quality Australian regulatory models.

Australia will continue to work with others to impose the strongest possible economic and other pressure on North Korea to stop its dangerous behaviour. North Korea's actions underline the importance of the United States' extended deterrence to Australia's security and the security of the Republic of Korea and Japan.

Maximising opportunity in a globalised world

In the decade ahead, the linkages between globalisation, technological change and new forms of production, consumption and

trade will shape economies and societies in profound ways.

For Australia, there will be significant opportunities. We will use science and technology to improve our productivity and harness new sources of economic growth including in the digital economy.

Australia will continue to benefit from the complementarity of our economy with those of our neighbours. Asian economic growth, urbanisation and expanding middle classes will sustain or increase demand for minerals and energy, premium agricultural products, and services. We are also building stronger economic partnerships with—and finding new opportunities in—Europe, Latin America, the Middle East and Africa.

Equally, there will be challenges to manage. Globalisation, greater use of digital platforms for trade and business, and further advances in automation will bring competitive pressures on many industries. The nature of some jobs will change even as new jobs are created.

Responding to these changes, especially if they occur rapidly, will be a focus for communities, businesses and governments globally. In some countries, weaker public support for free trade and doubts about the benefits of openness could further fuel economic nationalism and trade tensions.

Australia's policy response must prepare the country to seize opportunity and manage risk. Our domestic and international approaches will need to reinforce each other. Policies to strengthen the resilience and competitiveness of our economy and enable communities and businesses to harness innovation, science and technology to drive growth will be essential.

The Government will continue to work

hard to ensure community support for our openness to trade, investment and skilled migration. Australia's open economy improves our competitiveness, generates more and better paying jobs, gives us access to new ideas and technology, supplements our pool of domestic savings and lowers prices for consumers and producers.

We balance this approach with policies, such as our migration and foreign investment screening regimes, that maximise the benefits to Australia of openness. Our policies will also assist workers through change and help ensure all Australians have access to the opportunities offered by our growing economy.

The Government will be a determined advocate for an open international economy. We will stand against protectionism and promote and defend the international rules that guard against unfair trade actions and help resolve disputes.

At the same time, because comprehensive deals in the World Trade Organization (WTO) are unlikely, we will pursue new opportunities for our companies and strengthen trade rules through bilateral and regional free trade agreements (FTAs). We will work to support the competitiveness of Australian businesses and to advance our commercial interests in overseas markets.

The Government will continue our strong commitment to international economic governance. In a world of considerable systemic risk, the engagement of all major economies in institutions such as the G20 and International Monetary Fund (IMF) is essential to a stable international monetary system and an open global economy.

Keeping Australians safe, secure and free

The Government's first duty is to do everything possible to keep Australians safe and protect our freedoms, our way of life and our values.

Australia remains one of the safest and freest countries in the world. Our democracy and our institutions are robust and transparent. The risk of direct military threat to Australia is low. The security of our nation supports our prosperity.

Even so, globalisation and technological change, including the reach and vulnerabilities of the internet, state fragility, and environmental stresses, will at times amplify a range of threats to Australia's people, borders, economy and infrastructure.

These threats will endure for the foreseeable future. In some cases—such as Islamist terrorism, cyber attacks and transnational organised crime—the threat could worsen over the decade ahead. Australia and other countries must also deal with challenges from efforts to interfere in democratic decision-making and to shape public opinion through misinformation, including through the use of new technologies.

Our national strengths and international partnerships give us the confidence and resources to deal with these threats. Our strategies in response must be long-term and flexible. We will need to safeguard community cohesion and the resilience of our society.

The Government will continue to ensure Australia's law enforcement and security agencies have the legal authority and funding to enhance safety and security at home. We will work closely with a

wider range of international partners in our region and globally to address threats at their source. Our cooperation with Five-Eyes intelligence partners (the United States, the United Kingdom, Canada and New Zealand) and others will remain critical to our ability to address terrorism and other threats. In the period ahead, we will place particular importance on strengthening counter-terrorism cooperation in Southeast Asia.

For some issues, including in cyberspace, our ability to deter others will be enhanced by a willingness to use offensive capabilities to respond to threats.

International rules and cooperation protect Australian interests

We have entered a period of sharper challenge to the rules and principles that underpin international cooperation. Anti-globalisation, protectionism, changes in the balance of global power and geopolitical competition are testing the international order.

These challenges present risks to Australia's national interests. Our security and prosperity have been supported by US global leadership, an increasingly open world economy and the development of international institutions and rules.

It is difficult for countries like Australia, even working with others, to influence an international system that is predominantly shaped by the actions of much larger nations. At a time of challenge, we could choose to narrow our global vision and ambition. Such an approach would not, however, serve Australia's long-term interests nor align with our values.

Australia will work with others to protect and promote those elements of the international order that help ensure that all states can pursue their interests securely. We will act on the principle that Australia will be safer and more prosperous in a global order based on agreed rules rather than one based on the exercise of power alone. Such an approach is complemented by the development of Australia's own defence and security capabilities and our alliance with the United States.

Australia will also act to preserve a world in which all countries enjoy access to the sea and the air as provided for under international law. We seek to ensure that new domains, such as cyberspace, are governed by rules that reinforce stability, support openness and facilitate trade.

Similarly, in an interdependent world, a system that promotes collective responses to problems that cannot be solved by countries acting by themselves best serves our interests. For example, we support cooperation to stop the spread of weapons of mass destruction, address climate change and promote the 2030 sustainable development agenda. We will continue to work internationally to respond to global health and humanitarian crises.

Australia will continue strongly to support US global leadership. The Government recognises there is greater debate and uncertainty in the United States about the costs and benefits of its leadership in parts of the international system. We believe that the United States' engagement to support a rules-based order is in its own interests and in the interests of wider international stability and prosperity. Without sustained US support, the effectiveness and liberal character

of the rules-based order will decline.

It is strongly in Australia's interests, therefore, to support US global leadership, including by maintaining the strength of our alliance, keeping our commitment to increase defence expenditure to two per cent of GDP and contributing to coalition operations in support of global and regional security.

Beyond the United States, our cooperation with like-minded partners is also increasingly important to collective efforts to limit the exercise of coercive power and support an open global economy and a rules-based international order.

Australia will support reforms that give new and emerging powers a greater role in the international system. Some change to institutions and patterns of global cooperation is inevitable, necessary and appropriate to reflect the greater weight of countries such as China, Indonesia, India, Nigeria and Brazil.

Reform should be a shared project. Australia is a willing partner. At the same time, Australia's national interests are best advanced by an evolution of the international system that is anchored in international law, support for the rights and freedoms in United Nations declarations, and the principles of good governance, transparency and accountability.

A shared agenda for security and prosperity

Australia will remain committed to working with Papua New Guinea, other Pacific island countries and Timor-Leste to support their economic growth and governance, and to strengthen our

cooperation. Their security and stability is a fundamental Australian strategic interest.

The Government is delivering a step-change in our engagement with Pacific island countries. This new approach recognises that more ambitious engagement by Australia, including helping to integrate Pacific countries into the Australian and New Zealand economies and our security institutions, is essential to the long-term stability and economic prospects of the Pacific. Our partnership with New Zealand will be central to advancing this agenda.

New Colombo Plan is designed, in turn, to support young Australians to embrace study, work and travel in the region as a rite of passage. This will build a generation of Australians with greater understanding of our region.

Working with partners and leveraging our influence

In a globalised world, our work with business, development partners and state and territory governments will be critically important to our foreign policy.

In addition to our five main policy priorities, the Government will develop new approaches to harnessing Australia's soft power assets in ways that add to our international influence. We will work to improve how we market our commercial, educational and cultural credentials in a competitive global market.

Australia's institutions and expertise are themselves important sources of influence internationally, as is an effective and responsive development assistance program. We will continue to promote Australia's excellence in education, science and research and the creative industries.

We have been proud to host hundreds of thousands of students from across the Indo-Pacific. We aim to welcome many more in the decade ahead. The

A stable and prosperous Indo-Pacific

The Indo-Pacific's rising prosperity has been built on the region's stability. Today, the Indo-Pacific is undergoing a strategic transition as profound as the economic transformation that preceded it.

No long-term foreign policy objective is more important to Australia than ensuring our region evolves peacefully and without an erosion of the fundamental principles on which the Indo-Pacific's prosperity and cooperative relations are based.

Australia will be active in advancing and protecting our interests at this critical time. Our interests lie both in stability and in the character of the enduring peace we seek. In particular, our security and prosperity will be enhanced in a region characterised by respect for international law and other norms, and by open markets. This will help ensure Australia can prosecute our national interests unconstrained by the exercise of coercive power. Our policies to support a stable and prosperous Indo-Pacific complement our trade, investment and economic engagement with the region, which is detailed in the next chapter.

The Government's approach to better protecting and advancing our interests in a changing Indo-Pacific begins with substantial investments in the foundations of our national strength. In particular, we are building a more capable, agile and potent Australian Defence Force. We will also pursue active diplomacy and use our development cooperation to promote economic reform and social stability. The Government will strengthen our

law and justice, border protection and intelligence capabilities.

Our alliance with the United States is central to Australia's security and sits at the core of our strategic and defence planning. The Government will broaden and deepen our alliance cooperation and encourage the strongest possible economic and security engagement by the United States in the region.

Strengthening our Comprehensive Strategic Partnership with China is also vital for Australia both to pursue extensive bilateral interests and because of China's growing influence on the regional and global issues of greatest consequence to our security and prosperity.

The Government will lift the ambition of our engagement with major Indo-Pacific democracies. We will do more bilaterally and work across these partnerships, including in small groups, to promote and protect a shared vision for the region and to support a balance in the region favourable to our interests. Our partnership

with Japan, one of our most important regionally and globally, will remain essential to Australia’s interests. In addition to the United States, we will strengthen economic ties and other shared interests with Indonesia, India and the Republic of Korea.

As competition for influence in Southeast Asia sharpens, the Government will ensure Australia remains a leading economic, development and strategic partner for ASEAN and its members.

The Government will also continue to invest in regional institutions because they promote economic cooperation and help build norms that support the peaceful resolution of disputes.

As set out in the 2016 Defence White Paper, Australia will boost defence engagement with countries in the Indo–Pacific, including through increased training, exercises and capacity building.

Australia will also pursue regional trade and investment arrangements that increase growth and promote openness, competition and transparency, helping to defuse strategic rivalry.

Through these policy approaches the Government will act to support an Indo–Pacific region in which:

- countries foster habits of dialogue and cooperation, and resolve disputes peacefully in accordance with international law and without the threat or use of force or coercion
- open markets facilitate flows of goods, services, capital and ideas
- economic integration is inclusive of and open to all the region’s economies
- rights of freedom of navigation and overflight are upheld and the rights of small states are protected

- the United States remains strongly engaged in the economic and security affairs of the region and continues to help shape its institutions and norms, and
- China plays a leading role in a way that strengthens a regional order based on these principles.

Australia will also work resolutely with our partners to counter the serious threat posed by North Korea, including by greater efforts to exert economic pressure.

The policies in this chapter reflect an active approach by Australia to shaping the character of our region. The Government recognises the difficulty of this task in an era of shifting power balances and greater rivalry. In particular, the objectives set out above can only be secured if the region’s major powers—notably the United States and China—believe that their interests are also served by them.

This is not assured. In the decade ahead we expect further contestation over ideas and influence, directly affecting Australia. It is imperative that Australia prepare for the long term. Australia and our regional partners have a shared interest in seeking to build a regional economic and strategic culture that supports stability, cooperation, the rule of law and openness.

The United States and China

The Indo–Pacific’s stability depends more than ever on the actions of, and relations between, two of Australia’s most important partners—the United States and China. Australia tangibly supports the deep engagement of the United States in the economic and security affairs of the region,

which has been and continues to be essential to the stability and prosperity of the Indo-Pacific. Many of Australia's partners similarly encourage deep regional engagement by the United States.

The web of US alliances in the Indo-Pacific, especially US alliances with Japan, the Republic of Korea and Australia, makes an essential contribution to regional security. Australia will continue to ensure the strength and vitality of our alliance. A comprehensive US economic strategy for Asia will be as important as the United States' extensive security engagement.

China's capacity to take on responsibility for supporting regional and global security is growing. We encourage China to exercise its power in a way that enhances stability, reinforces international law and respects the interests of smaller countries and their right to pursue them peacefully.

The United States and China are economically interdependent and have a sophisticated and multi-faceted relationship. They have a mutual interest in managing strategic tensions but this by itself is not a guarantee of stability.

Compounding divergent strategic interests as China's power grows, tensions could also flare between them over trade and other economic issues.

Australia will encourage the United States and China to ensure economic tension between them does not fuel strategic rivalry or damage the multilateral trading system.

Over time, bringing China and the United States together in a region-wide free trade agreement would reduce economic tension and help maximise regional economic growth prospects. A Chinese economy that further liberalises as it matures would also lower the risk of destabilising economic competition.

Australia and the United States are not only strong allies. Our partnership encompasses engagement across the full suite of Australia's international interests and works strongly to the benefit of both countries.

The economic significance of the United States, combined with its dynamism, innovation and central role in the international financial system, makes it critical to our interests. The United States has a systemic importance to the global economy that is unlikely to be eclipsed even beyond the 10 year horizon of this White Paper.

Our economic relationship is deep and broad, with extensive two-way investment supporting production, growth and jobs in both countries. The United States is the largest foreign direct investor in Australia, accounting for nearly 25 per cent of foreign investment—more than the next two countries combined.

For over 60 years, our security has been supported by the extended deterrence provided by the United States and our privileged access to technology and information. The United States Force Posture Initiatives in northern Australia are providing new opportunities for combined training, regional engagement and further interoperability between our armed forces, including for humanitarian operations.

We source high-end military equipment from the United States, including next generation platforms such as the Joint Strike Fighter. Deep intelligence sharing with the United States is vital to our capacity to respond to security challenges and humanitarian emergencies and to protect Australian lives.

The alliance is a choice we make about how best to pursue our security interests. It is central to our shared objective of

shaping the regional order. It delivers a capability edge to our armed forces and intelligence agencies, giving Australia added weight and regional influence.

At the same time, Australia will strengthen relations with China, now a major geopolitical player with the capacity to influence virtually all of Australia's international interests. China is rapidly becoming a significant global investor and a burgeoning centre for science, research and innovation. It is by far our largest trading partner, accounting for 32 per cent of our goods exports in 2016, and will remain so for the foreseeable future.

Australia is committed to advancing our Comprehensive Strategic Partnership with China. Our broad and sophisticated relationship is underpinned by a bilateral free trade agreement, growing investment, close cooperation to combat transnational crime, important research linkages and extensive and growing flows of students, tourists and migrants. Our societies are increasingly connected. Our economic and people-to-people links—enhanced by initiatives such as the New Colombo Plan—provide ballast for our relationship.

Australia will continue to place priority on positive and active engagement with China, including through annual meetings between leaders, foreign ministers and economic ministers. We will pursue cooperation on issues ranging from energy to law enforcement and security through a growing web of ministerial and other senior-level dialogues. We are looking to build on our free trade agreement by expanding market access and opportunities for our businesses.

We have a long-standing and productive program of defence cooperation with China, which we are committed to

expanding. We promote stronger connections at the sub-national level, working closely with our states and territories. We are expanding our diplomatic footprint in China by opening a new consulate-general in Shenyang. We welcome and will continue to contribute to important Chinese initiatives, such as the Asian Infrastructure Investment Bank (AIIB), of which Australia is a founding member.

At times, closer engagement will be accompanied by friction arising from our different interests, values and political and legal systems. Regular and substantive engagement at senior levels will be essential to achieve our ambitions for the relationship.

Indo–Pacific partnerships

The Indo–Pacific democracies of Japan, Indonesia, India and the Republic of Korea are of first order importance to Australia, both as major bilateral partners in their own right and as countries that will influence the shape of the regional order.

We are pursuing new economic and security cooperation and people-to-people links to strengthen these relationships. Australia will also work within smaller groupings of these countries, reflecting our shared interests in a region based on the principles described in this chapter.

For example, Australia remains strongly committed to our trilateral dialogues with the United States and Japan and, separately, with India and Japan. Australia is open to working with our Indo–Pacific partners in other plurilateral arrangements.

Japan

A 'Special Strategic Partner' of Australia, Japan is a democratic, trade-oriented

nation with which we share values and interests, including through our alliances with the United States. Together we are working to achieve a stable region underpinned by open economies and the rule of law. As close partners, each country is invested in the success of the other.

Japan is the world's fourth-largest economy and a major player in international and global economic forums. It remains a cornerstone of global value chains, the largest source of foreign direct investment in Southeast Asia and the catalyst for much of our region's—and Australia's—economic development.

We have an extensive and mature partnership in trade and investment, which both countries seek to deepen. Australia is committed to the tempo of annual prime ministerial visits and will strengthen economic dialogue with Japan to complement our FTA and already extensive economic contacts.

We expect Japan, which possesses advanced military forces and significant technological capabilities, steadily to pursue reforms to its defence and strategic policies over the decade. Australia supports these reforms and Japan's efforts to improve its security capabilities and to play a more active role in the security of the region. In recent years our defence relationship has grown rapidly. Australia will continue to boost defence engagement with Japan, including in maritime security and in research and development.

Indonesia

Indonesia is a dynamic, democratic, diverse and growing G20 member with the world's largest Muslim population. Indonesia's success is of fundamental importance to Australia.

Indonesia has a growing middle class and, by some estimates, will be the world's fifth-largest economy by 2030. The size, weight and location of Indonesia at the intersection of the Indian and Pacific oceans makes it a leader in our region, including in ASEAN. We work closely with Indonesia in regional and international forums to support and protect a rules-based regional order, including in the EAS and ASEAN Defence Ministers' Meeting Plus (ADMM Plus).

As close neighbours, with an extensive maritime border, we will be stronger as we continue to promote our interests together. The 2006 Lombok Treaty reaffirms our respect for each other's territorial integrity.

We have already built a mature and mutually beneficial partnership, one that will be reinforced by growing economic ties, including the Comprehensive Economic Partnership Agreement currently under negotiation, and more diverse links through business, study and travel. To this end, the Government has opened new posts in Makassar and Surabaya to better engage with Indonesia's dynamic regions.

We support Indonesia's economic growth and stability including through development cooperation. Australia works in partnership with Indonesian agencies to further the development of infrastructure, skills and institutions.

We will deepen cooperation on shared maritime interests including by working to counter illegal fishing, improve coordination and communications on search and rescue, and upgrade navy-to-navy links. Through our development program, we support Indonesia's efforts to tackle inequality and maintain social stability, promote tolerance and pluralism, and counter violent extremism. Our long-standing

defence, counter-terrorism, law enforcement and intelligence cooperation will continue to help both countries respond to shared security challenges.

India

India now sits in the front rank of Australia's international partnerships. We are seeking much closer economic ties, as detailed in the next chapter. Beyond an increasingly important economic relationship, our security interests are congruent, particularly in relation to the stability and openness of the Indian Ocean. We have common interests in upholding international law, especially in relation to freedom of navigation and maritime security. We are both pluralist democracies. Our education links and Australia's large and rapidly growing Indian diaspora add depth to these common interests.

India will remain the pre-eminent maritime power among Indian Ocean countries. Australia wants to work with India as both countries invest in enhanced naval capabilities. We already conduct joint naval exercises and we are deepening our broader defence cooperation and expanding our information sharing.

With India and others, we seek to strengthen regional architecture in the Indian Ocean—including the Indian Ocean Rim Association (IORA)—and encourage more coordinated responses to developments affecting security in the Indian Ocean region.

We strongly encourage India's strategic engagement with East Asia and the United States. We will work with India in the East Asia Summit (EAS) and build on the growing strategic collaboration between Australia, India and Japan.

Republic of Korea

We seek to build on our mature economic relationship with the Republic of Korea—Australia's fourth-largest trading partner—by enhancing cooperation on political, defence and security issues. We share values such as democracy and free speech and are both trade-oriented economies.

Australia and the Republic of Korea share an interest in working with the United States and Japan to protect regional security and respond to North Korea's nuclear and ballistic missile programs. We strongly support the Republic of Korea's efforts to strengthen its defences against North Korea.

Grave and growing threat posed by North Korea

North Korea's long-range missile and nuclear programs represent the region's most immediate security challenge. Any major instability or conflict on the Korean Peninsula would have severe strategic, economic and humanitarian repercussions. A North Korean attack on the United States would also trigger Australia's commitments under our ANZUS alliance.

Australia will continue to work resolutely with our partners to bring increasing pressure to bear on North Korea to end its dangerous behaviour. China has unique economic leverage over North Korea. We welcome China's support for strengthened United Nations measures.

We implement United Nations Security Council resolutions and sanctions fully and have adopted our own autonomous measures. We act with partners to counter North Korea's proliferation activities.

North Korea's purported withdrawal from the Nuclear Non-proliferation Treaty and defiance of United Nations Security Council resolutions weaken the global restraints on the spread of nuclear weapons and weapons technology, including ballistic missiles. These restraints have greatly protected Australia's security interests.

Australia is focused on protecting our deployed forces from a range of air and missile threats, including cruise and ballistic missile threats. At the same time, the Government keeps the possible threat of an inter-continental ballistic missile attack on Australia under constant and careful review.

Working with Southeast Asia

Southeast Asia frames Australia's northern approaches and is of profound significance for our future. ASEAN's success has helped support regional security and prosperity for 50 years. In 2016, Australia's trade with ASEAN countries was greater than with our second-largest bilateral trading partner, the United States.

Southeast Asia sits at a nexus of strategic competition in the Indo-Pacific. This both tests the region's cohesion and underlines ASEAN's central role in convening the region's strategic forums such as the EAS.

Supporting growth in our region

Australia has a vital interest in the strength of the regional economy. Most economies in the Indo-Pacific require difficult-to-implement reforms to unlock the next stage of economic growth.

Australia has effective institutions, regulations and standards. We have a record of economic reform that has delivered growth and jobs. We will continue to work with other countries in the region to share our technical expertise.

Through our development assistance, we support the governance and stability of regional countries. We assist with efforts to boost productivity by supporting education and training. We work with partner governments to help improve investment settings, regulatory frameworks, taxation systems, management of natural resource revenues, women's participation in the workforce, and the design and management of national budgets.

In APEC, we encourage countries to improve productivity, competition, good governance and market openness, including in services. Australia also funds initiatives on services, investment, competition policy and intellectual property to support the development of the ASEAN Economic Community.

Australia places high priority on our bilateral relationships in Southeast Asia and on our support for ASEAN. The Government is enhancing engagement with the region to support an increasingly prosperous, outwardly-focused, stable and resilient Southeast Asia. As an example, we have agreed a new Strategic Partnership with Vietnam.

In 2018, Australia will host ASEAN leaders in Sydney for an historic ASEAN - Australia Special Summit. This will reinforce our Strategic Partnership with ASEAN as we advance shared interests. The Summit will demonstrate our elevated commitment to ASEAN and our enduring ties with the countries of Southeast Asia.

As a key element of our Comprehensive Strategic Partnership, we will strengthen security cooperation with Singapore, including by jointly developing military training areas in Australia. The Government will also boost defence engagement with Southeast Asia more broadly, including multilaterally through the ADMM Plus meeting of defence ministers. Close cooperation with Singapore and Malaysia through the Five Power Defence Arrangements is an essential part of our security engagement with Southeast Asia.

We will cooperate more closely with our Southeast Asian partners on transnational challenges such as crime and people smuggling. The continuing threat to the region of terrorism and violent extremism will require concerted and determined cooperation between us.

We will continue to boost trade and investment links, including through a comprehensive review of the ASEAN - Australia - New Zealand Free Trade Agreement (AANZFTA) and upgrades to our FTAs with Singapore, Thailand and Malaysia. We will elevate

our development, trade and investment cooperation with Vietnam. We will also continue to build on extensive political, defence, educational and people-to-people links between Australia and the region.

Through our development partnerships, we will work with Southeast Asian countries to deliver effective programs to promote economic reform and inclusive growth, reduce poverty and address inequality. In this way we strengthen bilateral relationships and contribute to regional stability and prosperity.

Geo-economic competition

Even as growth binds the economies of the Indo-Pacific, trade and investment and infrastructure development are being used as instruments to build strategic influence, as well as to bring commercial advantage. In the past, the pursuit of closer economic relations between countries often diluted strategic rivalries. This geo-economic competition could instead accentuate tension.

Australia's economic and security interests are closely intertwined here. These are best served by deepening regional economic integration in a way that maximises growth through open trade and investment on market-based principles.

This objective will be achieved through regional trade and investment and through infrastructure financing arrangements that reinforce an open global economy and that:

- are based on strong, transparent rules
- promote fair and open competition, and
- are transparent and non-discriminatory, with predictable regulatory systems.

Australia's long-term objective is to work towards a region-wide trade and investment arrangement defined by comprehensive rules to promote liberalisation, reform and a more seamless trading environment. It is likely a generational endeavour. Further integrating the major economies of the Indo-Pacific serves both our economic and security interests.

Australia's approach to regional trade negotiations, such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP), seeks to ensure that the core features of these arrangements are consistent with our goal of an open, region-wide arrangement.

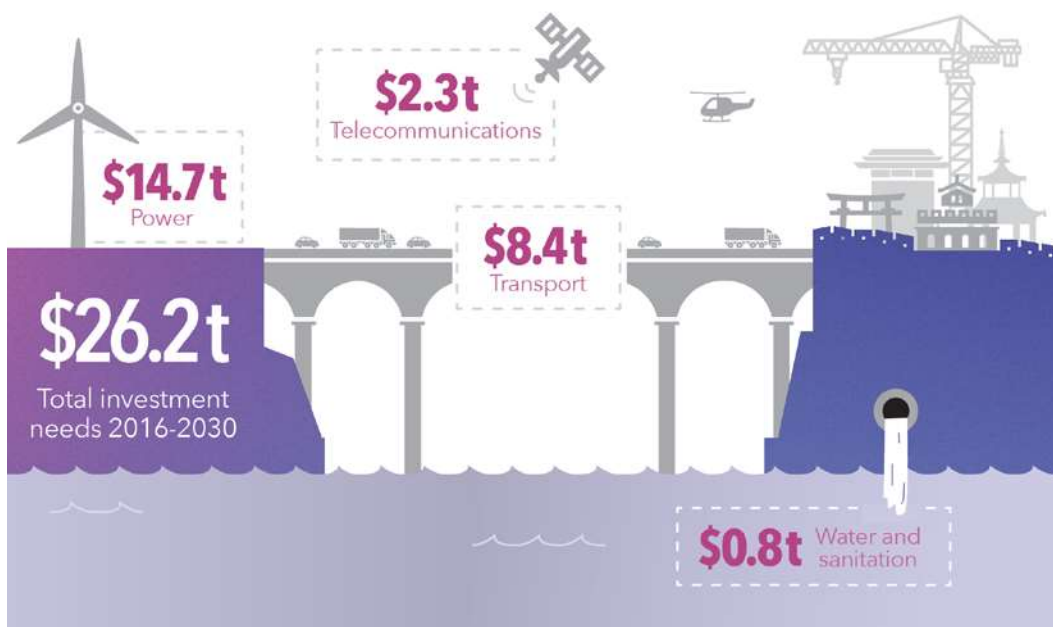
Much of the new competition for influence is also being played out through infrastructure development.

There are several regional infrastructure and economic engagement initiatives, including ones advanced by China, India and Japan.

The region's infrastructure needs are massive and wide-ranging (Figure 3.1). It is in our interests for this infrastructure to be developed in a way that conforms to the principles set out above. We also favour infrastructure that has robust social and environmental safeguards and avoids unsustainable debt burdens on the economies of the region. It is on this basis that Australia engages with regional infrastructure initiatives, including China's Belt and Road.

We seek to ensure that Australian firms are well placed to prosper from the region's pipeline of future investment. Our firms have more than 30 years

Figure 3.1 Infrastructure investment needs in Asia (2016–2030, US\$ trillion)



Source: Asian Development Bank

experience working with Australian governments to build roads, airports, hospitals and other infrastructure. Many are leaders in the design and integration of large-scale infrastructure projects. Australian financial institutions have been at the forefront of innovative financing for infrastructure, including through public private partnerships, and are able to tap into deep pools of funds for multi-billion dollar projects.

Australia helps regional countries prepare high-quality, investment-ready projects and improve policy frameworks to attract private capital. We have played a key role in negotiating rules and practices that match our and the region’s interests, as we did in the establishment of the AIIB. With our partners, we also support the development of infrastructure plans and the preparation, financing and implementation of projects that best meet the region’s needs, including through our work with the World Bank Group and the Asian Development Bank and through our support for ASEAN’s Masterplan on Connectivity.

Building collaboration

Australia continues to support the EAS as the region’s premier political and security forum. It has the right membership (including China, India, Japan, the Republic of Korea, Russia, the United States and ASEAN countries), and it has the right mandate. Leaders drive its agenda.

In recent years, EAS leaders have paid increased attention to security issues such as counter-proliferation, counter-terrorism and maritime security, a trend Australia will seek to reinforce. We aim to bolster the strategic role of the EAS so that it can positively influence the region’s rules and norms.

Through the EAS and other forums such as APEC, ADMM Plus and the ASEAN Regional Forum, Australia pursues a regional agenda that:

- promotes cooperation on strategic, political and economic issues, including extensive engagement between leaders
- reinforces international law
- encourages full and active engagement by the United States in regional affairs, and
- ensures that all regional countries, large and small, have a voice on regional issues.

Fault lines

Maritime and land border disputes are a growing source of potential instability in a more contested Indo–Pacific. They draw in the region’s three big Asian powers—China, Japan and India—as well as Southeast Asian nations and Pakistan. They also strongly engage the interests of countries, such as the United States and Australia, which seek to build a region where disputes are solved peacefully and in accordance with international law.

The South China Sea is a major fault line in the regional order. Australia is not a claimant state and does not take sides in the competing claims. Like other non-claimant states, however, we have a substantial interest in the stability of this crucial international waterway, and in the norms and laws that govern it.

We have urged all claimants to refrain from actions that could increase tension and have called for a halt to land reclamation and construction activities. Australia is particularly concerned by the

unprecedented pace and scale of China's activities. Australia opposes the use of disputed features and artificial structures in the South China Sea for military purposes. We support the resolution of differences through negotiation based on international law.

All claimants should clarify the full nature and extent of their claims according to the United Nations Convention on the Law of the Sea (UNCLOS). The Government reaffirms its position that the Permanent Court of Arbitration's ruling on the Philippines South China Sea Arbitration is final and binding on both parties.

Elsewhere in the region, Australia is concerned about the potential for the use of force or coercion in the East China Sea and Taiwan Strait. We also remain concerned about the potential for tension between India and Pakistan to escalate into confrontation. How India and China manage their relationship, including competing border claims, will also have important implications for regional stability. In all of these matters, it is vital that those concerned act with restraint and avoid actions that add to tensions.

Safeguarding maritime security

Open sea lanes link the Pacific and Indian oceans, enabling trade in goods and energy that fuels the region's growth. The major economies of North Asia—China, Japan and the Republic of Korea—in particular rely on energy transported through the Indian Ocean. Australia's own connections with the world will continue to rely on our sea lines of communication.

The region's seas are becoming more congested and contested. Many regional

countries continue to invest in advanced naval and civil maritime capabilities. Terrorists and other criminals use the relatively porous maritime boundaries of the Indo-Pacific as transit routes.

Australia will increase its investments in maritime security capacity building in Southeast Asia. We will also work to strengthen the focus on maritime issues within regional forums, including the EAS and IORA, and enhance regional training on maritime domain awareness, protection of the marine environment and international law. We will deepen joint exercises and build maritime domain awareness with India and collaborate on maritime safety and security with other Indian Ocean partners, like Sri Lanka.

We will promote confidence-building measures and cooperation among regional coast guards and maritime enforcement bodies, assist in efforts to counter terrorism and offer to support regional littoral states to develop comprehensive national maritime strategies.

Through our diplomatic and operational engagement, we will strive to ensure international law, especially UNCLOS, is respected and implemented to protect freedom of navigation and uphold the sovereign rights of coastal states in their exclusive economic zones.

Australia will continue to exercise our rights to freedom of navigation and overflight, consistent with long-standing policy, and conduct cooperative activities with other countries consistent with international law.

A shared agenda for security and prosperity

The stability and economic progress of Papua New Guinea, other Pacific island countries and Timor-Leste is of fundamental importance to Australia. Our ties with these neighbours are long-standing and will be enduring. We are bound by migration, education and, in many cases, historical ties.

Australia is a major economic partner and an enabler of opportunity for our neighbours. Some countries in the region have the natural resources and many have the tourism potential to benefit from increased trade and investment with Australia, New Zealand and Asian economies.

Our engagement is anchored in common interests. Stability in Papua New Guinea, the wider Pacific and Timor-Leste, for example, is vital to our ability to defend Australia's northern approaches, secure our borders and protect our exclusive economic zone.

Most countries of the region are, however, facing acute development challenges. Small formal economies, distance from major markets, high costs, and rapidly growing populations hamper economic growth.

Governance and capacity constraints in some countries also limit their ability to deliver services. These challenges make it difficult to respond to transnational crime, natural disasters, climate change or outbreaks of infectious diseases. This in turn exposes Australia to increased threats, which our cooperation helps to mitigate.

To identify and implement practical responses to these economic, security

and development challenges, Australia will enhance engagement with Papua New Guinea, other Pacific countries and Timor-Leste, as well as with regional organisations such as the Pacific Islands Forum.

In the Pacific, Australia recognises that new approaches will be necessary. Our support will focus on three priorities:

- promoting economic cooperation and greater integration within the Pacific and also with the Australian and New Zealand economies, including through labour mobility
- tackling security challenges, with a focus on maritime issues, and
- strengthening people-to-people links, skills and leadership.

These priorities build on our commitment to work with governments in the Pacific to respond to climate change, bolster resilience, strengthen emergency responses and improve governance, education, health and gender outcomes.

No single country or organisation can tackle the challenges in the Pacific on its own. Stronger bilateral and regional partnerships are necessary to achieve shared goals.

New Zealand will remain an essential partner in support of the economic growth, stability and security of the region. Australia and New Zealand will align our approaches to the Pacific.

Our cooperation has wider regional and global dimensions. Australia's relationship with New Zealand is our most comprehensive and we are committed to deepening it further. We have high levels of police and military interoperability and collaborate on strategic planning, capability development and intelligence. This will continue to be essential to prosecuting shared interests, including in the Pacific.

Australia recognises that increasing competition for influence and economic opportunities in Papua New Guinea, other Pacific countries and Timor-Leste, as well as growing aid and loans from other sources, means they can turn elsewhere for advice and assistance. This brings opportunity in many cases, but also has the potential to strain the capacity of countries to absorb assistance and manage their debt levels. It could also undermine regional coordination.

In particular, Australia will engage the Pacific's outside partners to encourage them to work in a manner that strengthens cooperation, builds more sustainable and resilient economies and maintains stability. We will encourage responsible lending to the region and adherence to the priorities identified by regional governments and the Pacific Islands Forum.

Australia will support efforts to attract public and private investment in the Pacific and Timor-Leste. We continue to work to increase the provision of multilateral bank finance and expertise, especially by the World Bank and Asian

Development Bank. This will be essential to redress the infrastructure shortfall in the Pacific and Timor-Leste, estimated to be US\$46 billion out to 2030.

An enduring partnership with Papua New Guinea

Supporting a stable and prosperous Papua New Guinea is one of our most important foreign policy objectives. The Torres Strait is the closest thing Australia has to a land border—it is less than four kilometres from the Papua New Guinea mainland to the nearest populated Australian island. Developments in Papua New Guinea have substantial implications for Australia, including our defence, border security, health security and economy.

It is in our shared interest that Australia remains Papua New Guinea's principal security partner. We will continue to pursue close defence cooperation and build capacity in policing and law and justice. We will work with Papua New Guinea to tackle illegal fishing, transnational crime and people smuggling. Ensuring the integrity of the Torres Strait Treaty, the foundation of our border arrangements, will remain a priority.

Notwithstanding its current fiscal challenges, Papua New Guinea has considerable economic potential and a growing number of trade and investment partners.

In this changing economic landscape, Australia will have to compete harder for business. Australian companies have already invested \$18 billion in Papua New Guinea. Some 4,600 Australian firms do business there.

A significant part of Papua New Guinea's economy relies on foreign investment

in resource projects. While this offers potential for growth, a more diverse economy also focused on agriculture, fisheries, services and tourism, as well as better governance, will be essential for Papua New Guinea to convert its natural endowments into sustained, broad-based economic growth.

Papua New Guinea continues to face serious development challenges. Its population of about 8 million—40 per cent under the age of 15—is projected to reach 18 million by 2050. The delivery of services is suffering because of a shortage of capacity and a constrained budget. Many development indicators—such as maternal, child and infant mortality, the rate of communicable diseases, and access to clean water and sanitation—are poor.

Reflecting its challenges and the closeness of our relationship, Papua New Guinea is our largest development partner, with Australia investing around \$550 million a year in assistance. We work together to encourage economic growth, improve governance, and support health and education. Australia is also helping Papua New Guinea to empower women and foster a new generation of leaders.

Australia will continue to support the Papua New Guinea and autonomous Bougainville governments to implement the 2001 Peace Agreement, which underpins peace and stability in Bougainville.

Stepping up our engagement in the Pacific

To pursue common interests and respond to the region's fundamental challenges, Australia will engage with the Pacific with greater intensity and ambition, deliver

more integrated and innovative policy and make further, substantial long-term investments in the region's development.

We will look to test new ideas and adopt the most practical means to strengthen regional cooperation and integration. Some initiatives will commence bilaterally, allowing new measures to be trialled.

Promoting economic cooperation and integration

Economic integration within the region and with Australia and New Zealand is vital to the economic prospects of the Pacific. Growth is constrained for most countries because of a combination of remoteness from markets, limited land and resource bases, the dispersal of people over many islands and environmental fragility.

When in force, the Pacific Agreement on Closer Economic Relations (PACER) Plus will lay the ground for stronger trade and investment, increasing business confidence through transparent and enforceable rules.

Australia will work to improve opportunities for growth and jobs and to strengthen the economic resilience of the region by increasing opportunities for labour mobility to satisfy unmet demand in our labour market, investing in skills, and helping countries to capture growth potential in sectors such as tourism.

Australia and the Pacific can also share institutions and systems to help bring efficiencies and economies of scale. As a first step, we will facilitate access for Nauru, Tonga and Tuvalu to use Australian testing services to improve the quality and reliability of pharmaceuticals.

Our new Pacific Labour Scheme will allow workers from the region to take up non-seasonal low and semi-skilled work

in rural and regional Australia in growth sectors such as health care, social assistance and hospitality. In parallel, our Seasonal Worker Program will be streamlined to give more Australian employers access to a reliable seasonal workforce drawn from the Pacific and Timor-Leste. Participation in these programs benefits seasonal workers and their communities and supports economic growth in the Pacific and Timor-Leste.

These programs are labour-market tested and will enable Australian employers to address labour shortages in towns and farms. They represent a partnership between Australian businesses and our neighbours that will help the Pacific

through remittances as well as boost the economy in parts of regional Australia.

We are establishing a Pacific Labour Facility to connect workers, employers and training institutions, provide financial education for workers, and monitor the impact of labour mobility programs both in Australia and in Pacific economies.

We will continue to work with the Australia - Pacific Technical College to ensure that it and other Pacific training institutions provide the skills and qualifications needed by workers.

We share an interest with our Pacific partners in maximising gains from the skills and remittances delivered through

Labour mobility for the Pacific and Timor-Leste

Access to Australia's temporary labour market benefits both the countries involved and Australia's domestic industry.

Since 2012, more than 18,000 visas for seasonal workers from the Pacific and Timor-Leste have been issued under the Seasonal Worker Program. Australian businesses benefit from a productive, returning workforce in sectors with labour shortages. These workers gain skills and savings not available in their home countries.

For every six month placement, workers on average send home \$5,000. In Tonga, the largest provider of seasonal workers in 2016-2017, this equated to over \$13 million that year—almost half of the value of Australia's annual development cooperation program to Tonga.

Our new Pacific Labour Scheme will expand non-seasonal labour mobility opportunities for the Pacific. The scheme will replace the Northern Australia Worker Pilot, significantly increasing the places available and extending its scope to all rural and regional areas in Australia. Kiribati, Nauru and Tuvalu will continue to be a priority focus, with access to be extended to some other Pacific countries over time.

our labour mobility schemes. We are working with financial institutions to reduce further the cost of remittances to the Pacific.

Tackling security challenges

Many countries in the Pacific have limited capacity to respond individually to security challenges such as transnational crime, natural disasters, climate change or outbreaks of infectious diseases. Our experience of working together—through the Regional Assistance Mission to Solomon Islands (RAMSI), cyclone responses and fisheries surveillance—shows the advantages of close bilateral and regional cooperation.

Following the conclusion of RAMSI, we have signed a bilateral security agreement with the Solomon Islands Government to allow for future Australian support should it be required. We have concluded bilateral security memoranda with Nauru and Tuvalu to help protect them and the region against transnational organised crime, build their border security capacity and protect against health threats. We will work with other partners on cooperative arrangements. We will assist some countries to develop national security strategies.

Australia will continue to support and better coordinate defence, police, intelligence, border and law and justice training. We will help improve information sharing between national and regional law enforcement agencies, including through the Pacific Transnational Crime Coordination Centre. This will help deliver more effective approaches to transnational organised crime.

Australia will work with Pacific partners to establish an Australian Pacific Security College to deliver security and law enforcement training at the leadership level.

Australia's maritime cooperation contributes to protecting our region's vast maritime resources and enhances regional security. Through our Pacific Maritime Security Program, Australia will provide 19 replacement patrol vessels to our partners and we will fund aerial surveillance. We are boosting civil maritime cooperation to enhance information sharing and to improve responses to threats such as illegal, unreported and unregulated fishing and smuggling of people, wildlife and drugs.

In support of these efforts, Australia will continue to cooperate closely in the Pacific with New Zealand, the United States and France on maritime surveillance and disaster preparedness and response.

Strengthening people-to-people links, skills and leadership

An increased focus on skills and education will be vital if the Pacific is to realise its economic potential. Again, the relatively small populations and economies of most countries mean that vocational training and higher education are often best dealt with by pooling resources and expertise.

Our support for vocational education and training, including the Australia - Pacific Technical College and universities in the region, and scholarships for study in Australia, will have a sharper focus on preparing graduates for employment and community engagement.

This investment in human capital supports economic growth and the better delivery of government services. It complements Australia's work with partners—including in think tanks, civil society and institutions, such as the Pacific Leadership and Governance Precinct in Port Moresby—to train emerging leaders and prepare them for the challenges of modern governance.

Australia will continue to invest in links between communities and people in the region. Australians studying in the Pacific under the New Colombo Plan and Australian volunteers are increasing our understanding of the region.

Climate change, resilience and a strengthened response to disasters

Australia will continue to strengthen the capacity of the Pacific, particularly low-lying atoll states, to respond to climate change. We are providing \$300 million over four years to provide climate science and data and other support to help our partners plan for and adapt to climate change and mitigate its impacts.

We use our own investment to leverage funding by multilateral banks in critical infrastructure. Similarly, we are working to help countries in the region access resources from the Green Climate Fund, to which Australia has contributed \$200 million.

We will increase investments in local and national capacity to better manage disasters in the Pacific. This will include funding experts to work with Pacific National Disaster Management Offices and support for a new partnership with Australian non-government organisations (NGOs) and the Australian Red Cross to bolster disaster preparedness and strengthen Pacific civil society.

We will work with Pacific governments, the World Food Programme and United Nations Office for the Coordination of Humanitarian Affairs to improve early warning systems and access to pre-positioned humanitarian supplies. We will boost joint training with emergency services, police and defence forces to improve disaster preparedness.

Bilateral and regional partnerships in the Pacific

Australia will continue to strongly support the Pacific Islands Forum, the pre-eminent regional organisation, through which leaders set regional priorities. We will support organisations in the region that coordinate management of natural resources such as fisheries, or provide essential scientific and technical services.

Australia is committed to strong and productive relations with Fiji. We recognise Fiji's economic potential and its capacity to serve as a regional hub for business, tourism, security cooperation, and humanitarian and disaster response coordination.

We will work with Solomon Islands to help ensure that the transition from RAMSI protects stability in the country. Our joint work to support economic growth and to improve governance will remain important.

We will also continue to support Vanuatu's recovery from Tropical Cyclone Pam and to build resilience and growth. Australia will assist with economic and social development in Polynesia by supporting reform programs and assisting the export sector. We will work with Tonga and Samoa, including through joint security operations and exercises, and by cooperating in regional organisations.

We will strengthen cooperation with the smaller island states in the region with a focus on economic growth, security, fisheries and building more resilient communities.

Supporting Timor–Leste

The recent agreement on the maritime boundary between Timor–Leste and Australia marks a new chapter in the

bilateral relationship. It will revitalise our friendship and cooperation in the years ahead. It will also provide a new foundation for the development of the Greater Sunrise gas field in the Timor Sea, and the sharing of any resulting revenue. This will support the national interests of both nations.

The agreement is a testament to the way in which international law, in particular the UN Convention on the Law of the Sea, reinforces stability and allows countries to resolve disputes peacefully without resorting to force or coercion. It is an example of the rules-based order in action.

Timor-Leste has made significant progress since independence in 2002. However, it still faces development challenges and high rates of poverty and malnutrition. We are Timor-Leste's leading economic partner, and will continue to support its objective of economic diversification and private sector growth through our development cooperation and labour mobility schemes.

We will continue to support Timor-Leste's armed forces and national police. We cooperate on regional security issues, including maritime challenges, border security and transnational crime.

We both have important relationships with Indonesia. This provides an opportunity to deepen trilateral cooperation to advance shared interests. Australia supports Timor-Leste's ambition to join ASEAN, to facilitate its closer economic engagement with Southeast Asia.