After Covid-19

Volume 3
Voices from federal parliament

ASPI
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About ASPI

The Australian Strategic Policy Institute was formed in 2001 as an independent, non-partisan think tank. Its core aim is to provide the Australian Government with fresh ideas on Australia's defence, security and strategic policy choices. ASPI is responsible for informing the public on a range of strategic issues, generating new thinking for government and harnessing strategic thinking internationally. ASPI's sources of funding are identified in our Annual Report, online at www.aspi.org.au and in the acknowledgements section of individual publications. ASPI remains independent in the content of the research and in all editorial judgements. It is incorporated as a company, and is governed by a Council with broad membership. ASPI's core values are collegiality, originality & innovation, quality & excellence and independence.

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Genevieve Feely and Peter Jennings

ASPI published its first volume of the *After Covid* series in May this year and the second volume in September. After the success of the first two volumes, this third volume offers a platform for policy innovation and contestation among parliamentarians from all sides of politics.

The introduction to the first volume prepared readers by saying, 'But now is no time for resting. Australia needs to be ready to deal with the crisis after the crisis.' We know now that the crisis is far from over and is exacting a terrible toll in many countries. Initial estimates that the pandemic would be over by the end of the year or even the middle of next year look overly optimistic. In Australia, we may see a reliable vaccine emerge soon, but it will presumably take most of 2021 and beyond for that to be widely available. The economic and social costs of the virus will be with us for a long time and will surely shape the environment for Australia's next federal election, which some people speculate could be as early as late 2021. With an election cycle in prospect and a once-in-a-century global disaster in full swing, it's an important moment to tackle key questions that need resolution after the pandemic is brought under control:

- What will be the key strategic, economic and social challenges for government after the crisis?
- What considerations should shape the recovery?
- What sectors will define and boost Australia's economic recovery?
- Is this an opportunity for a full reset, and will that opportunity be taken?

We asked politicians to consider the world after the crisis and discuss policy and solutions that could drive Australian prosperity through one of the most difficult periods in living memory. This time, ASPI is the messenger, not the message. All contributions in this volume are the authentic voices of Australia's elected representatives.

For policymakers, this volume offers a window into thinking from all sides of the House of Representatives and Senate, providing greater insights to better inform their work in creating further policy in service of the Australian public. For the broader public, this is an opportunity to see policy fleshed out by politicians on their own terms and engage with policy thinking that isn't often seen on the front pages of major news outlets.

We were delighted to see so many parliamentarians respond with gusto to our call for policy ideas. As the member for Hunter, Joel Fitzgibbon MP, says in his chapter: extraordinary challenges require extraordinary thinking. There is indeed some extraordinary material in these pages. Engaging in a contest of ideas presents our parliamentarians at their best.

Our thanks go to our Publications Manager, Steve Clark, for his indefatigable work and the wider ASPI team for their engagement and support.

Parliament after Covid

Australia's House of Representatives: a resilient and responsive parliamentary institution

Tony Smith MP

Introduction

On a normal sitting day, members of parliament assemble in the House of Representatives chamber to consider draft legislation, scrutinise the government and raise important constituency matters. However, the circumstances imposed by Covid-19 have been anything but normal. When it became clear in March that robust measures were needed to prevent the spread of the virus in Australia, particular challenges for the House were identified. How could 151 members from across Australia come together to undertake their parliamentary duties without jeopardising their own safety and that of their colleagues and staff, not to mention the safety of constituents when they returned home?

> **I'm confident that the House will continue to adapt and fulfil its duties and thereby fortify the status of the parliament as the most important institution in Australia.**

As Speaker, I have unique responsibilities for the House, its members and House staff. I also have responsibilities, together with the President of the Senate, in respect of Parliament House in general, its occupants and visitors. Safety and security are always at the front of my mind. They're essential so that the House can carry out its vital legislative, representative and accountability functions. Those responsibilities continue regardless of the circumstances in which the nation finds itself.

In this article, I consider how the House has adapted in order to continue carrying out its functions during the pandemic. I also consider how the House has anticipated challenges and positioned itself to respond, before I offer some reflections on the future.

The necessary elasticity of the House

When the pandemic was first declared on 18 March, the House was scheduled to meet for a fortnight from 23 March to 2 April. However, given the significant risks in play, the House met for just one day to consider legislation essential to the government's economic response to the pandemic. The government had already postponed the Budget from May to October. Because of that, on 23 March the House, and then the Senate, passed supply bills, to fund government expenditure on an interim basis until the full appropriation bills could be passed.

Given the uncertainty about the ability of the parliament to meet as usual, the House also adopted a revised sitting pattern, sweeping aside all sittings before August and agreeing to an adjournment until a day and time to be fixed by me.

As it happened, I recalled the House at the request of the Government and in accordance with practice. It met for one day, on 8 April, to consider and ultimately pass further legislation essential to the

government's pandemic response. In May and June, the House then met for longer periods, adopting a further revised sitting calendar, which included additional sitting weeks in the latter part of the year.

During the one-day sittings on 23 March and 8 April, the focus of the House was on legislation and scrutiny: the bills debated, and the questions asked during Question Time concentrated almost exclusively on the pandemic. In May, when it met for three days, the House had a more typical range of business, and in the June sittings the proportion of time spent on different types of business was comparable to the average for recent parliaments. This included about a third of House time for private members' opportunities, such as constituency statements, and motions and bills sponsored by private members. Question Time also occurred at each sitting, and the Prime Minister and most ministers were available to respond to questions.

Procedural and practical solution

An obvious challenge to the House meeting was the need for members, who normally sit side by side in the chamber, to maintain an appropriate distance from one another. Based on public health advice, both informal and formal changes were adopted to reduce the number of members who assembled at one time.

As observers of House proceedings would know, the numbers are always important. A quorum of 31 members must be present to constitute a meeting of the House and, to date, quorum requirements have been met.

Prior to the pandemic, the standing orders required an 'absolute majority' of 76 members—that is, half the membership of the House, plus one—voting in favour for the House to agree to suspend its standing orders without notice. Motions to suspend standing orders are used to permit an action that the standing orders—those rules that the House has agreed will bind its conduct—would otherwise prevent. Such motions might be procedural in nature, for example to enable the government to vary the routine of business, introduce a bill without notice and progress it or move a motion without notice. Suspension motions of this nature would usually be necessary to facilitate an extraordinary or non-routine sitting.[1]

Anticipating that circumstances might arise where it wasn't able to form the absolute majority required to suspend standing orders, the House considered that it would be prudent to have an alternative mechanism. On 23 March, the House agreed to amend standing orders to enable a motion to suspend standing orders without notice to be carried by a simple majority of members present, contingent on the agreement of the Leader of the House and the Manager of Opposition Business. This mechanism enables the integrity of House decisions to be maintained and has since been used on three occasions, including for the first time on 8 April, when just 59 members were in attendance.

Most decisions of the House are made 'on the voices'—that is, by members present in the chamber agreeing to 'the question' before the House. However, when there's disagreement, a formal vote (division) takes place. Divisions require members to attend the House simultaneously to vote, which in current circumstances creates a potential virus transmission risk. Therefore, I needed to carefully consider arrangements for divisions so that appropriate spacing could be maintained. Any alterations needed to preserve the opportunity for the House to express its will.

To reduce the number of members who attended divisions, 'pairing' was arranged by party whips. Pairing is an unofficial arrangement that enables members on one side to be absent for any votes when members from the other side are absent or agree to abstain from voting. The relative voting strengths of the parties are maintained, and decisions reflect the will of the House even though not all members have voted.

While pairing has been used, to some extent, to reduce the need for members to travel to Parliament House for the sittings, there's nothing inherent in pairing arrangements that prevents members from being present in the chamber at times other than divisions, whether to observe or participate in debate. For example, in the June sitting fortnight, up to 140 members attended the House on any one day, even though a high number of pairs was arranged for voting.

The manner in which members might move around the chamber when voting in a division also required careful consideration. Traditionally, members voting 'Aye' in support of a motion move to sit to the right of the Speaker's chair (the government side). Members voting 'No' sit to the left. This often results in members moving across the chamber to vote, depending on the question, and such movement was identified as increasing the risk of virus transmission. Therefore, with the House's agreement, where a division was expected, the question was put in a form that avoided the 'crossover' of large numbers of members—in other words, a question was put in such a way that the government would vote 'Aye' and opposition members, 'No'. Most members could continue to sit in their allocated seats for divisions. Additional places were identified for cross-bench members (who normally sit to the left) for when they wished to vote 'Aye'.

Other practical measures included additional microphones and lecterns for members without allocated seats and the provision of hand sanitiser at chamber entrances.

Access to the work of the House

The President of the Senate and I are jointly responsible for the control and management of Parliament House and its precincts. Parliament House was designed to be a 'building for all Australians' (Hawke 1988), and, indeed, we normally welcome hundreds of thousands of tourists and other visitors each year, in addition to the thousands of people who work there each day. Consistent with health advice, we closed Parliament House to the public from 25 March.[2] We had already closed the public viewing galleries in the House and Senate chambers for the sitting on 23 March—a decision we did not take lightly. However, the public continued to have access to the parliament through its website, including livestreaming of House proceedings and Live Minutes, as well as the official records, *Votes and Proceedings* and *Hansard*. While the open press viewing gallery was also closed, other than to a small number of photographers, media representatives had access to the enclosed galleries, which in normal times are usually the domain of the visiting school groups.

Since the pandemic began, many committees have, at the recommendation of the presiding officers, adopted greater use of teleconferencing or videoconferencing for both private meetings and public hearings. While committees have had the power to conduct proceedings by using audio or audiovisual links since 1997, the current inability of members to meet in one place and to speak to witnesses in person has led to a notable increase in the use of those options so that committees can progress inquiries and conduct their regular business.

More recently

The increase in community transmission of Covid-19 in some jurisdictions in July led the Prime Minister to write to me to propose that the sittings scheduled to begin on 4 August not proceed. Exercising the power to change sitting dates given to me by the standing orders, I duly notified members that the next sittings would commence on 24 August. *House of Representatives Practice* states that:

> Standing order 30 (c) permits the Speaker, when the House is not sitting, to set an alternative day or hour for the next meeting. However, it is the invariable practice for the Speaker not to act on his or her own initiative in this respect, but to await a request from the Government.[3]

The President of the Senate and I also agreed to chair a working group of senior parliamentarians from both the government and the opposition to consider how the parliament might continue to meet safely.

Advice from the relevant chief medical officers has been a vital part of our decision-making. This included advice from the Acting Chief Medical Officer of Australia that parliamentarians attending from Victoria would need to self-isolate for 14 days before attending parliament in August.

In the week of 24 August, for the first time, the House allowed members to participate remotely in chamber proceedings through a video facility. Anticipating that it might need to meet in unusual circumstances, the House had on 23 March resolved that it may meet 'in a manner and form not otherwise provided in the standing orders' with the agreement of the Leader of the House and the Manager of Opposition Business. The resolution also gave me the ability to determine the manner in which members may be present. As agreed, members wishing to participate in this way needed to provide me with reasons that they were unable to physically attend parliament due to the Covid-19 pandemic. The Leader of the House and the Manager of Opposition Business agreed that the video facility would only be available to members who weren't present and who met certain criteria as set out in the agreement presented to the House. Those members were then permitted to contribute to debates and to ask and answer questions during Question Time. However, while members were being given the option of participating in some procedures virtually, the Parliament of Australia isn't a virtual parliament. The House of Representatives sits in Canberra, and there was general consensus that if members were to vote and be counted for the quorum then they must be physically present in the chamber.

2020: a long year not yet over

In its 119 years, the nation and our parliament have witnessed wars, pandemics and natural disasters. Indeed, this year began with a pall of bushfire smoke enveloping the giant flag mast of Parliament House, and a few weeks later foliage on the many trees in the precincts was shredded by a damaging hailstorm.

The House of Representatives is built on tradition; it's a resilient institution but not a static one. As it has shown during this year, it must and can adapt to changing circumstances. While a core part of its response has been procedural and practical changes adopted with bipartisan agreement, making use of available technology has underpinned its ability to adapt. For the first time in our parliament's history,

members not in Parliament House have been able to participate in certain House proceedings. The fact that proceedings were already broadcast via the internet, radio and television has meant that Australians have had access to observe the work of the House even when public access to the chamber has been suspended. Similarly, teleconferencing and videoconferencing facilities have allowed parliamentary committees' work to continue. I expect that after Covid-19 some committees will continue to use those facilities to conduct hearings to a much greater extent than before the pandemic.

The future trajectory of the pandemic is unknown. Regardless, the House has quickly built in a measure of elasticity for its operations.

I'm confident that the House will continue to adapt and fulfil its duties and thereby fortify the status of the parliament as the most important institution in Australia.

After this turbulent period, the House will need to reflect and consider which, if any, of the innovations it wishes to take forward, and which it might consign to history.

References

Elder D (ed.) 2018. *House of Representatives Practice*, 7th edition, Department of the House of Representatives, Canberra, online.

Hawke RJL, speech by the Prime Minister, opening of the new Parliament House, Canberra, 9 May 1988.

Find out about the powers, practices and procedures of the House of Representatives online.

Notes

1   Suspension motions are also relied on in normal times. Motions to suspend standing orders can be tactical in nature, and perhaps it's that kind that achieves more publicity. Because of the significance of a successful motion to suspend standing orders that has been moved without notice, the House has agreed to this 'super', absolute majority rather than the usual simple majority as a prerequisite.

2   The building was reopened to visitors from 4 July but closed again for the sitting period of 24 August to 3 September. The President and I made several joint statements about access, including on 16 March, online and 17 August 2020, online.

3   *House of Representatives Practice*, 7th edition, 178–179, online.

Global outlook

The new security: is Australia prepared to confront contemporary threats?

Anne Aly MP

2020 marks 75 years since the end of World War II. In parts of the world where conflict has endured in some form, the anniversary of that historic armistice will have warranted little more than a passing nod or perhaps a cynical sigh.

In other parts of the world, consumed by the Covid-19 pandemic, the anniversary might give us pause to reflect on the changing landscape of international and national security. For Australians, the year began with the charred remains of the 2019 bushfires still blistering through the heart of our nation. We had known bushfires before: Australia, the land of fire and storm, of droughts and flooding rains. As the fires dissipated, a grieving nation assessed the damage, dusted itself off and drew on the strength and compassion of our people to recover. Then came the Covid-19 pandemic that swept first through China then Europe, Asia, North America and our own fortress Australia. SARS-Cov-2, as the virus has been named, doesn't respect borders. It doesn't form an orderly queue. It doesn't discriminate. It can't be shot at, bombed, arrested, turned back or sent home. Our front line of defence doesn't wear army fatigues and carry a gun, but is made up of ordinary Australians—hospital staff, nurses, retail workers, security guards, childcare workers, teachers and police. The second decade of the 2000s has given us much to think about—not least the fact that contemporary threats to our security and wellbeing come from unconventional sources.

> In the years since the end of World War II, international security has undergone significant changes. Today, the contemporary landscape is much more complex, much more multidimensional and much more unpredictable. How well equipped are we to meet the challenges of this new security environment?

Are we ready yet to embrace a reconceptualisation of security that decentralises power and accommodates a miscellany of actors? Those questions must be answered if we're to conceptualise a nation at the ready to meet the challenges and take the opportunities of globalisation.

Hard and soft power

The current theoretical framework for conceptualising security has its origins in the school of thought of international relations and politics in which approaches have been understood in terms of the exercise of power to obtain outcomes either through coercion (hard power) or attraction (soft power).

Hard-power instruments include military force, financial incentives, economic sanctions and legal options. Soft power, on the other hand, encompasses a rather broader range of instruments that either directly or indirectly improve relations between nations or bring about desired social change.

Most governments possess soft-power diplomatic tools. Beyond government, soft power also resides in the institutions that promote cultural or educational exchanges.

Hard and soft forms of power aren't wielded neutrally and are often seen to be in opposition to each other as proponents vie for resources and influence. Hard-power advocates argue that hard power is the most effective means of achieving desired results, particularly when dealing with rogue states. Soft-power proponents, on the other hand, argue that it's a more ethical approach not limited only to governments, but that can also be employed by NGOs, corporations, institutions and transnational networks. Unlike hard-power tactics, soft-power measures are much harder to quantify and often take years to implement before any measurable results become evident.

Hard power and soft power are far more nuanced than simple definitions of coercion versus attraction. Soft instruments can be used in hard ways and vice versa. Instead, it's more useful to think of hard power as being purposeful in its application and finite in its effect. Soft power can be both purposeful and non-purposeful and potentially infinite in its effect. Neither soft power nor hard power alone is very effective in achieving the goals of international or national security. The integration of hard and soft power into a single framework has eluded Western nations, particularly in the counterterrorism space, in which target hardening, military intervention, intelligence and punitive measures have been the predominant features of our responses.

Punitive measures introduced in Australia, Canada, the UK and elsewhere respond to the phenomenon of foreign terrorist fighters in ways that reflect hard power. The confiscation of travel documents of those suspected to be planning to travel to Iraq and Syria in support of the Islamic State is implemented by state institutions and law enforcement agencies that have limited authority or interest in prevention and intervention. Meanwhile, broad-based prevention initiatives that have the potential to interrupt radicalisation in the early stages are reliant on the capacity of the non-government sector.

The 'traditional' hard strategies involving military force, policing, intelligence and legislation have proved insufficient for establishing an effective long-term strategy, although they shouldn't be entirely discounted. Rather, hard-power measures should be used in combination with soft power in ways that effectively respond to the root causes of violent extremism. Such an approach also considers the social, economic, political and historical contexts in which violent extremism arises.

This kind of holistic and balanced approach to security can be achieved only through an integrated strategy, resource base and toolkit that draw from both hard and soft power. It's the kind of approach that will take us into the future and will meet the demands of an ever changing and transformative security landscape that presents new challenges, new foes and potential new alliances. Without a comprehensive and integrated framework, we're bound to repeat the mistakes of the past—to continue to fight novel enemies with conventional forces and deploy our efforts in ways that have limited impact.
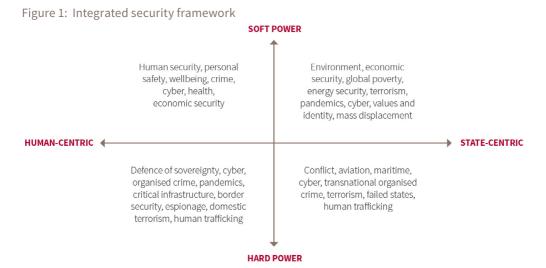
Meeting the challenges of contemporary security: reconceptualising security

Scholars and policymakers have pointed out that such a widening and deepening of security necessitates a new ontological starting point—one that doesn't place state power at the centre. Rather, 'security', contested in itself, is extended to a variety of concerns, and we attempt to 'categorise' those concerns along thematic lines or according to the referent objects of security (those things that need to be protected), actors, or both. The instinctive response in security studies has been to divide security into

sectors (economic, political, societal and environmental), each of which focuses on a referent object. For example, environmental security places the biosphere as the referent object under threat. While that's a useful starting point, I argue that thematic-based typologies of security in a policy sense leave little room for adaptation and the inclusion of new and emerging referent objects—issues that become securitised either through political will or else through changes in what societies value as worthy of protection and hence a security response.

An obvious example is health. In the midst of a global pandemic, law enforcement and the military have been deployed to ensure that individuals comply with behavioural health measures such as social distancing and the wearing of face masks. Enforcing healthy behaviours seems somewhat counterintuitive. Arguably, the most effective way to get people to perform healthy behaviours is through influence, not coercion. Traditionally, behavioural health issues have been treated through awareness and information campaigns designed along social marketing principles and established behaviour-change models. The fact is that the government failed to act in the early stages of the pandemic to develop a wideranging and far-reaching communication campaign. Consequently, the security response became necessary to ensure compliance. It's yet to be determined whether the current securitisation of health is fleeting or whether it will have long-lasting impacts on health behaviour policies. The example does, however, raise questions about the consequences (and effectiveness) of addressing human-centric concerns with state-centric hard-power approaches.

I suggest that a more useful organising principle for security policy, beyond a simple schematic of security threats and referent objects, is to incorporate hard and soft power in an integrated framework. That framework, represented in Figure 1, superimposes a thematic approach to security (and referent objects) along a continuum of hard and soft power and human- and state-centric actors. It's by no means an exhaustive list of contemporary security challenges or future threats, and each 'cell' shouldn't be considered autonomous: challenges such as cybersecurity can be met through soft tools of influence and persuasion at the individual (human-centric) end of the continuum and with hard tools of coercion at the state level through legislative responses. Similarly, health risks can be managed through human-centric soft responses that use soft-power tools to effect behavioural change and may be complemented with state-centric soft and hard power at critical points.

Figure 1: Integrated security framework

Post–Cold War security: the instructive example of terrorism

The postwar era was predominantly characterised by the Cold War, in which the political goal of protecting the state rested largely on the accumulation of military power. The binary of Western and Eastern blocs defined the lens through which international security developed both as a scholarly discipline and as a strategy for shaping power and interests with the state as the central actor. The Cold War wasn't waged by military means alone; it also incorporated ideological struggles, economic competition (and cooperation) and propaganda. While the era of state hegemony was termed the 'Cold War', it could just have easily been called the 'Cold Peace'; threats of the use of force by each of the superpowers failed to bring about armed conflict largely because of the mutual fear of a nuclear Armageddon. By the early 1990s, the Cold War had slipped peacefully away, forcing a recalibration of traditional approaches to security and heralding an era of international and national security that's less easy to define and constantly evolving.

Today's security environment is characterised by diverse threats and a broader range of actors. While inter-state conflict continues to be an enduring factor, it's no longer the defining concern for international and national security. Intra-state conflict, the collapse of fragile states, climate change, mass population displacement, extreme economic events, cybersecurity, energy security, resource security, transnational organised crime, terrorism and pandemics are likely to continue to present as primary current and future concerns. Consequently, states are no longer the only or even the major actors in the international security landscape. Non-state actors, individuals, NGOs and private corporations now play an ever expanding role in conflict and security. Growing tensions between the US and China have raised some concerns that the world is entering into another Cold War phase in which they face off as major superpowers in the realms of trade, technology, military capabilities and regional influence. But that view fails to recognise that the international security landscape has been transforming for decades and is likely to continue along a trajectory marked by a diversity of actors and threats.

As new challenges emerge, individuals, communities, states and the international security apparatus need to find new ways of meeting them. How well we weather contemporary and future challenges to our security depends on how adaptive we are to change. If history is anything to go by, we aren't well equipped to face these new challenges—not because the international community lacks the insight or know-how to defeat modern enemies but because we lack the political will to mobilise soft power. In this regard, the decades-long fight against international terrorism offers an instructive example.

Terrorism has been part of the human story since time immemorial. From the Sicarii in the 1st century through to the Ismaili Nizaris (widely known as the Assassins) of the 13th century to the Weathermen Underground in the 1970s, al-Qaeda, ISIS and the rising violent far-right, acts of violence by individuals and groups of individuals in the name of a cause have been a part of the human story. At times, terrorism has taken on political shades, and at other times religion or ideology has been used to justify indiscriminate attacks.

The use of violence to destroy or deconstruct the *status quo* and create 'new worlds' is a common thread that runs through all the waves of terrorism. Apocalypse, changing the world order, anarchy and revolution continue to drive terrorism in its various forms. Since 2001 and the ensuing 'War on Terror', a fifth wave of violent right-wing terrorism has emerged that continues these themes and calls for a revolution of sorts.

The term 'violent right-wing' refers to a broad range of beliefs and movements associated with far-right political and social ideologies. On its own, it offers little more than a broadbrush branding of an increasingly prevalent mobiliser for acts of violence and terror such as the Christchurch attack. Within the broad category of right-wing terrorism sit white nationalism, neo-Nazism, eco-fascism, white separatism, ethnocentrism and patriot/militia movements, among others. Some scholars include the Christian Identity movement and anti-abortion extremism, while others argue that a contemporary typology of right-wing extremism should differentiate at least two main categories: racist extremism and anti-government extremism.

In 2008, the number of right-wing domestic terrorist incidents in the US doubled. Racially motivated crimes also increased, as did the scope of militia organising. Violent right-wing terrorism has since grown to overtake the threat of violent jihadist terrorism in the US. In 2018 alone, violent right-wing attacks caused fatalities in Florida, Pennsylvania, Washington, South Carolina, Texas, Kansas, Michigan, Alabama, Georgia, Tennessee and California.

In 2019, the world was rocked by the Christchurch terrorist attack that killed 51 Muslim worshippers at two mosques in the New Zealand city. The perpetrator, an Australian, left a white nationalist manifesto that aligned him ideologically with some of the US's and Europe's most notorious terrorist actors.

While right-wing terrorism isn't new, the nature of terrorism has changed. Terrorist actors no longer need to be connected to each other in organised cells. There's no need for an 'al-Qaeda' (Arabic for 'the base') to act as a central command for a global network of operatives, recruiters, fundraisers and influencers. Mass-casualty attacks, like the Christchurch terror attack, can be carried out by single actors with relatively low-tech weapons and very little planning.

In the fight against terrorism, Western allies deployed conventional warfare against a non-conventional enemy, in the—perhaps naive—belief that terrorism could be defeated by bombs and bullets. The prolonged War on Terror failed to eradicate the threat of international terrorism. Indeed, it's reasonable to deduce that the war has in fact led to a proliferation in the use of terrorist tactics by non-state actors in conflicts. In fragile states and those currently in conflict, indiscriminate terror attacks have become part of warfare.

The wisdom of employing a conventional hard military response against an unconventional enemy whose regenerative capacity relies on its ability to employ soft strategies of influence and mobilisation has, rightly, been questioned. In Australia and other Western nations, scholars, practitioners and community leaders warned of the increasing securitisation of Muslim communities as law enforcement agencies adopted an approach of increased surveillance and monitoring. In Australia, models of radicalisation used to identify potential operatives targeted individuals solely on the basis of their religious identities.

Had we used soft strategies and mobilised civil society in novel ways to combat the threat of terrorism, we may have seen a different outcome—one in which the terrorism threat was excised at its root and individuals and communities were empowered to resist the lure of ISIS and its affiliates.

An opportunity now exists to revisit the lessons of the past in meeting the challenges of the future. The question is whether we have the political will and vision to do just that.

The future of Australian foreign policy: beyond the major powers, towards a 'fulcrum' of middle powers

Peter Khalil MP

Debate continues about how Australia can navigate a new geopolitical landscape while balancing our two strategic partnerships: with China, our primary economic partner, and with the US, our primary security partner. With the onset of a global pandemic, the question has come into even sharper focus, jumping rapidly from debates between national security and foreign policy mandarins into broader public consciousness. Lingering alongside this debate has been an assumption that we can't have an 'independent foreign policy'. That concept is rarely clearly articulated. It tends to be tied to either a woolly notion of more 'independence' from the US or the more simplistic dismantling of the Australia–US alliance. The reality is that the Australia–US alliance remains relatively robust and a decoupling is unlikely and antithetical to our long-term strategic and security interests, just as decoupling from our economic relationship with China would be detrimental to our long-term strategic economic interests.

Nonetheless, we do face new geostrategic realities. China's rise bumping up hard against US primacy in the Indo-Pacific region has Australia increasingly caught in heavy crossfire as both major powers pursue more aggressive foreign policy and coercive diplomacy. Some argue the inevitability of conflict between the US and China and therefore the necessity for Australia to choose 'a side' (White 2018, Fullilove 2020, Thomas 2020, Laurenceson 2020). This is a false dichotomy. We should instead pursue a foreign policy that will proactively shape the geostrategic realities in our favour, ensuring the space and conditions to maintain and enhance both relationships.

It will certainly not be easy to balance both relationships to meet our overarching national interests, ensuring our prosperity, security and stability, but with diplomatic dexterity it can and must be done. It will be the most imperative task of Australian leaders in the next decade. How well we navigate those relationships while ensuring ongoing adherence to a liberal rules-based order will directly affect our national interests in the 21st century—national interests that are dependent upon the ongoing existence of a framework of rules that are consistently followed by states in both trade and security.

The post-WWII framework of the US as security guarantor of an international rules-based order has served us well for 70 years and has accommodated China's economic rise from developing nation to the power it is today.

By acting effectively as a security guarantor for the region and for the liberal rules-based order, the US has allowed Australia a large degree of strategic and operational flexibility. That's seen us reap considerable benefits from resulting security and stability across our region, allowing us to trade freely with our neighbours.

Likewise, China's rise has had enormous importance to global trade and to Australia's exports and has been the linchpin to our economic prosperity. No other country is as important to Australia's economy as China. China accounts for 48.8% of Australia's exports (King 2020), making it by far our largest export market.

However, the post-WWII framework is now straining under pressure from both the US and China, challenging the existing norms.

Under the erratic leadership of President Trump, there have been a decline of US global leadership and a shift to a nativist, transactional 'America first' foreign policy. Trump, particularly on trade, has drifted away from the international rules-based order, acting unilaterally by side-stepping World Trade Organization (WTO) rules, using the US's economic power by brazenly imposing tariffs and waging war on the WTO by blocking the nomination of new judges to its appellate body.

China has similarly strayed from both international trade and security norms. It has undermined freedom of navigation, building militarised artificial islands in the South China Sea, trashed the 'one country, two systems' commitment in Hong Kong, imposed politicised tariffs and launched anti-dumping investigations into Australian exports, and Chinese ministers refuse to speak to their Australian counterparts.

There's been a fundamental shift. The old framework no longer holds, and Australian leaders can no longer reflexively follow the well-worn routines of 'managing' these two relationships. The existing orthodoxy of engaging with the two major powers can't continue, but we still need both relationships.

Australia isn't a superpower. We can't arbitrarily and unilaterally force the rules through our economic or military strength in the same way that China and the US can. We're a middle power, as Gareth Evans has described:

> those states which, objectively, are not economically or militarily big or strong enough, either in their own regions or the wider world, to *impose* their policy preferences on anyone else— but which *are* nonetheless sufficiently capable, credible and motivated to be able to make an impact on international relations. (Evans 2019)

Of course, because, as Evans argues, middle powers are characterised by a 'tendency to pursue multilateral solutions to international problems', they have the most to lose in the transition away from the rules-based order. Australia's national interest is now precariously dependent upon our ability to simultaneously maintain that rules-based order *and* our critical trade and security relationships with China and the US, without being forced into a strategic cul-de-sac through a 'false' choice. We must, therefore, make our own path forward. As Penny Wong has argued, 'the future will also require Australian foreign policy to go beyond what we have known—to risk articulating different approaches' (Wong 2020).

We have an opportunity to embrace the potency and functionality of Evans's 'middle power diplomacy' (Evans 2019) to create a new path of Australian middle-power leadership in our region, reminiscent of our international activism after WWII.[1] Today, our challenge is to prop up international institutions and norms and, I argue, also create new forms of engagement with other middle powers to protect and enhance the rules-based order. Without middle-power leadership to arrest the breakdown of that order, it will continue to degrade and we'll be hurled into an ever more Hobbesian world—where might is right.

We've spent much of our history in both halves of the previous century being defined by the tyranny of distance or stuck at the 'arse end of the world', as Paul Keating so vividly put it in 1994.

No longer.

Australia is now smack bang in the middle of the world's most dynamic and important region—the Indo-Pacific, with its rising powers, growing economies and rapid modernisation. Notwithstanding the region's significant economic setbacks wrought by Covid-19, there's still scope for an optimistic view of the huge potential for Australia's economic prosperity and security in the 21st century.

While our geostrategic outlook is uncertain and unpredictable—and the challenges that poses are immense—by navigating this shifting and dangerous terrain through a clear vision and a creative foreign policy we can simultaneously balance our relationships with China and the US and protect the rules-based order.

Australia still has a great leap to make. We must lead and act in the confident pursuit of our foreign policy because, as a trading nation with well-established regional relationships, we're poised to emerge from the Covid-19 pandemic as a rising middle power, as a leader in the region, but only if we seize the moment and commit to and implement a new vision that would reshape the geostrategic landscape.

What that vision means is that Australia must not only help reform the existing multilateral architecture of our region but actively help build something new—what I call a 'middle-power fulcrum'.

A fulcrum (from the Latin *fulcire*, which means 'to prop up') plays a central or essential role in an activity, event or situation.

This middle-power fulcrum will be by design a deeper collaboration with our middle-power partners in a series of new multilayered engagements, built as a centre point for regional power, as protection against the forces that would seek to undermine and diminish the rules-based order on trade and security and as a robust vehicle that takes us towards greater prosperity and security in an uncertain environment.

The fulcrum would bind middle powers tightly in a ball of networks built on those multiple new layers of engagement on trade, security, intelligence sharing, cultural exchange and military cooperation.

It must be based on a common commitment to the rules-based order on trade and security and to strengthening a form of international 'rule of law'.

It must also be a centre of gravity with enough combined strategic, economic and security weight to balance both the US and China and not force us into a false choice.

We shouldn't deny or lessen the bilateral relationships we have with the US or China, but the fulcrum would give us greater leverage vis-a-vis those major powers in prosecuting our common interests in trade and security.

Australia will need a diplomatic plan to augment the existing multilateral architecture. Australia *must* double down on our support for multilateral forums: ASEAN, APEC, the Pacific Islands Forum and particularly the East Asia Summit. This also means greater resourcing of the Department of Foreign Affairs and Trade, in addition to targeted defence spending.

We must then turbocharge our engagement with our middle-power partners, including countries such as Japan, South Korea, Singapore, Indonesia, Vietnam, India (a rising major power) and other partners, such as France and the UK, both of which have interests in our region.

We then need to deepen and reimagine those relationships through establishing a rotating set of arrangements with different partners on different issues—on military cooperation, security, intelligence sharing and economic partnership. In form, they can be a new series of trilateral and quadrilateral engagements that we can mix and match based on shared interests and overlapping issues of interest.

To offer some examples: a quadrilateral of Australia, India, Japan and Indonesia conducting joint disaster relief exercises or a trilateral of Australia, Vietnam and Japan on anti-piracy or anti-smuggling. France, UK

and Australia could work together to deliver development programs for the Pacific islands or on a plan to roll out a future Covid-19 vaccination to the developing countries in our region.

The fulcrum must have mass and movement. It must be a set of flexible arrangements in which the centrifugal drive is the shared objective of propping up the rules-based order.

These groupings shouldn't be either for or against the US or China. By necessity, many arrangements should include them. If the middle-power fulcrum encapsulating all of the arrangements is large, resilient and inclusive enough, the price for major powers breaking the rules should be too high even for them.

Australia will need leaders and a diplomatic posture that's more activist, ambitious and nimble than we've had for decades, so that we can build this fulcrum.

We don't want to live in a world where might is right but in a region and under a global order with an agreed and observed set of operating rules, so it's our shared responsibility to ensure that those rules are protected and followed.

> **Australia faces a critical choice: sit back and watch as the foundations of our security and prosperity crumble around us or stand up and lead. In the current strategic environment, we can lead only alongside and in concert with other middle powers. The time to coexist or reactively manage our relationships is over.**

Governments can choose to shape the world or be shaped by it. It's time that Australia truly embraced a leadership role in our region with a genuinely independent foreign policy.

In the long arc of human history, the modest gains of an international normative order forged out of the fire of the 20th century are worth salvaging, protecting and building upon.

Our challenge this decade will be to redefine our relationships, but also be a prime mover in building a middle-power fulcrum that will keep Australia, our region and, potentially, our world prosperous and secure for generations to come.

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Note

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Global crossroads: fostering greater cooperation in a post-Covid world

Senator Jordon Steele-John

The Covid-19 pandemic has exposed the fault lines in our systems and flaws in our approaches to problem solving. It has shone a light on the fragility of our economy in the face of external pressures, exacerbated global tensions and set the scene for an explosion of economic inequality. We've arrived at a crossroads.

> **Do we continue to spend billions of dollars of public money on weapons and military technology and further exacerbate global tensions? Or invest in solutions to the real health and environmental challenges we're all facing and shift our strategic outlook to focus on fostering global cooperation and conflict resolution, enabling us to address the real needs of people in a post-Covid world?**

To create a future for all of us and tackle the challenges we face, we must choose the latter path.

The problems

What we're increasingly seeing is the normalisation of a dangerous political rhetoric about our domestic and regional security situation that's moving us further away from genuine efforts towards cooperation. The 'securitisation' of political problems—in which leaders have sought to wield their influence and power by stoking the flames of conflict and violence to grant themselves the social licence to muscle up our military—has drawn oxygen away from critical discourse on the veracity of the proposed threats we face, and how we're to address them. What we see instead is increasing bipartisanship on matters of defence and national security, supported by academia, which broadly goes unquestioned (Roggeveen 2019). This is particularly salient in our public political discourse about our relationships with China and the US.

As veteran *ABC* journalist Kerry O'Brien recently noted:

> What I am concerned about is that prime minister after prime minister has said that Australia does not have to choose sides between the US and China and yet, there is this sense that that is what we are now doing. (Johnson 2020)

There are layers of complexity and nuance that come with forging and maintaining relationships with major powers that are at odds with one another, but the favouring of more strident voices in relation to Australia's relationship with China over and above those who seek more tactful, measured and deliberate approaches harms our capacity to understand and act on what's in the best interests of our communities. That favouritism perpetuates ideologically driven divides that are concerningly reminiscent of the Cold War. This isn't to say that we're to ignore the strategic and security realities of our region; we know that there are significant and challenging dynamics playing out. As a nation, we aren't helped in navigating those complexities by acting as a disingenuous fence-sitter in a debate based on the false premise that we're caught in a great-power struggle. That loaded, and deliberate, rhetoric moves us further away from cooperation and ever closer to conflict—perceived or otherwise. It's a self-fulfilling prophecy.

That mindset has marooned the Australian community smack bang in the middle of what's being escalated into a great-power struggle between China and the US. Billions are being wasted on military posturing while real actual needs of our community and our region are ignored. It's this type of tired, hawkish thinking that's taking focus away from understanding, and prioritising, the real challenges before us and for which we can effectively plan; the challenges that are tangible, proven, and directly affecting our communities now and into the future.

The reality of our time is that we're living in an age of climate crisis and accelerated ecological collapse. Right now—not in some distant future—climate change is putting the things that we care about at risk; our families, our communities and the basics we all need to live a good life. The impacts of that reality can be seen out on the desolate drought-ravaged paddocks of so many of our eastern farms and in the smouldering ruins of the homes and irreplaceable ecosystems lost to the fires that now come in winter.

Across our region, rising sea levels are already plunging traditional lands below the waves and threatening to render entire island nations—those that have done the least to contribute to the climate crisis—uninhabitable.

The scale and intensity of climate-change-driven disasters has for some time been articulated as a national and regional security issue (Glasser 2019, Thomas 2020, SSCFADT 2018). Discussions about the seriousness of climate change within the defence community are very much alive and happening, but the translation of those conversations into substantive policy and into the everyday understanding of the ADF is missing. Moreover, Defence planning beyond the *2016 Defence White Paper* insufficiently accounts for climate change, even though it affects everything from force structure planning to future risk assessments and long-term strategic thinking.

Indeed, globally, the climate crisis has reached a point where the risks are so severe, the evidence of danger so inescapable and community sentiment so clear that even historically conservative organisations and defence establishments have been actively reducing their emissions profiles, creating dedicated strategies and factoring climate change into their forward planning for decades.

From the UK Ministry of Defence to the Pentagon in the US, climate change is now specifically recognised as a threat multiplier, meaning that they acknowledge its role in exacerbating the pressures that lead to conflict because it reduces access to water and food, displaces communities and increases the frequency of natural disasters (Barrie et al. 2015).

Compared to the climate challenge, rising tensions between the US and China weigh far less on the security and future of our region. Yet, the major parties and the policy consensus they parrot continue to reinforce the idea that, as an ally of the US and for our own protection, we need to keep muscling up our own defence forces by pouring billions into weapons and military technologies that will do nothing but gather dust and participate every so often in elaborate war games simulating events that even our own defence policies state are unlikely.

So, if the evidence base for that is limited, then what's driving it? Those who stand to profit from war.

The pervasive influence of weapons manufacturers is the primary driver of spending on upgrading our arms and military technology. At this moment in time, we're spending 'One hundred & fifty-seven million, four hundred & thirty-nine thousand, four hundred & eighty-five dollars & twenty-one cents per day' on defence (Hellyer 2020).

The context of this spending is the bipartisan goal of seeing Australia become a top 10 major arms exporter. But even on that front we're failing, as imports have overtaken exports in the past few years and sent our arms export goals backwards. Meanwhile, we're still buying up submarines that won't be delivered for decades and fighter jets that are riddled with technical and operational issues, costing us far more than we ever expected (ANAO 2019, Hellyer 2019).

Australia also now finds itself at direct odds with our Pacific island neighbours over the issue of climate change (O'Keefe 2019). We're failing to show leadership and accountability for the role we must play in finding real solutions to address the devastating effects already being felt in the climate crisis. Diplomatic relations with our neighbours have suffered as successive governments have used the Chinese threat rhetoric as a means of inserting Australia as a better option, without first considering that perhaps our Pacific neighbours see climate change as a greater threat than China. This lack of diplomatic capital is reducing our ability to de-escalate potential future conflicts. We need to be investing in building relationships that enable us to navigate a more challenging strategic environment, as recently argued by Department of Foreign Affairs and Trade Secretary Frances Adamson.[1]

That would position Australia far more effectively to address so many of the concerns held by the community. According to recent polling done by the Australia Institute, five threats were identified by 40% or more of Australians: natural disasters, economic collapse, climate change, chronic disease and infectious disease. Every one of the top five threats is an economic, environmental or health issue. Conventional security issues that often attract hyperbolic rhetoric, such as terrorism, refugees and asylum seekers, war and internal conflict, were of significantly less concern in the poll.

The impact of these issues isn't just felt on our budget bottom line, although Defence continues to get a big slice of the pie year on year without fail, while other departments and critical sectors face cuts and artificial resource constraints.

There's mounting evidence of the economic and social impacts that indicate that the cost of spending more on defence comes at the expense of spending on social programs that fundamentally strengthen societies over the long term (Dunne & Tian 2013). How we allocate public resources is critical to enabling us to build a more equal society. In the current health crisis that we're in, it's vital that we re-evaluate this policy position, as there's arguably a strong correlation between the increased social stability that comes as a result of sufficient government spending in the right areas, which invariably contributes to peace in our region—more so than dangerous rhetoric and military capabilities (Collier & Hoeffler 2002).

There's also a philosophical and ethical aspect to these dilemmas. As Martin Luther King Jr argued in his 'Beyond Vietnam' speech, 'A nation that continues year after year to spend more money on military defense than on programs of social uplift is approaching spiritual death.'

Given the disparities in spending and policy prioritisation outlined above, it's hard to avoid the conclusion that the current consensus, supported by the major parties, is bringing that moment of spiritual death ever closer.

It's time we chose a different path. We have to take stock of the forces driving our conversations about defence and national security, and we have to be critical of the unfettered influence of those who seek to gain from the securitisation of our complex regional context.

It's also time to recognise that the global military industrial complex, which the major parties seek to place Australia at the heart of, has always needed and will always need enemies to continue generating profit. It's a toxic feedback loop that's fed by corporate shills posing as so-called experts, politicians of all stripes and, most of all, money. Money drives conflict, and it also drives the ideas that justify the necessities of conflict. By focusing on each other, we're losing sight of the genuine crises that are gripping our planet.

By choosing the path of conflict resolution and global cooperation, we create the opportunity as policymakers to liberate ourselves from the obsolete boundaries of neo–Cold War rhetoric, free up billions of dollars in public funds and pursue creative solutions to the real challenges and threats that are facing our community: climate change and the global health crisis that's Covid-19.

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The threat of China and the response of Australia

Senator Eric Abetz

China's increased influence offensive

With an eye to the long term, the Chinese Communist Party (CCP) dictatorship is ruthless, focused and uncompromising. It has always been thus. The same unsettling characteristics have been displayed, whether in its early approach to the Nationalists, its demand that diplomatic recognition of its rule requires derecognition of Taiwan or its denials of its manipulation of the World Health Organization (WHO) over Covid-19.

Recent developments have confirmed not only this belligerent and determined *modus operandi* but a doubling down on it. A brief synopsis makes the case.

On 11 March 2018, the 19th National Congress of the CCP voted in favour of removing the two-term limit on presidents, in effect paving the way for President Xi Jinping to become 'president for life'. Apart from securing Xi's position, the Constitution was amended to include 'Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era'—a political and military ideology that guides the Chinese nation. The Chinese Government's extreme Marxist heart is reflected through Xi, who worryingly said at the Congress, 'We commemorate Marx in order to pay tribute to the greatest thinker in the history of mankind, and also to declare our firm belief in the scientific truth of Marxism' (Reuters/AP 2018).

Xi's consolidation of power has enabled him to pursue aggressive geopolitical aims: 'wolf warrior diplomacy' through official diplomatic channels; destabilising the South China Sea with man-made islands and claiming contested territory; debt-trap diplomacy under the benevolent guise of the Belt and Road Initiative; suppressing an international fact-finding mission into the origins of the coronavirus; and engaging in industrial-scale espionage through scientific collaborations with research institutes.

One of the most egregious actions taken has been the unilateral repudiation of the 'one country, two systems' approach agreed with the UK on its departure from Hong Kong in 1997. The 'security law' has been predictably wielded as a bludgeon against pro-democracy activity. Four social media users have been arrested on suspicion of inciting secession, and Hong Kong media tycoon and pro-democracy advocate Jimmy Lai faces charges of collusion with foreign powers. Doubtless, there will be more of these arrests to come.

Free from the power-sharing considerations of China's previous leaders, which would have steered China's foreign policy on a more tempered course, Xi's extreme dictatorial grip on the tiller has enabled a more naked display of dominance over Hong Kong and a steady movement towards the 'complete national reunification' of Hong Kong and Macau with China, as outlined in 'Xi Jinping Thought'. In retrospect, it was singularly unwise for the Whitlam Labor government in 1972 to sign the joint communiqué outlining that Australia doesn't recognise Taiwan, as have so many other Western nations. If the example of Hong Kong serves any lesson, it's that the CCP won't be satisfied until it exerts complete control over Taiwan and Hong Kong, and the Uyghurs, for that matter.

Tellingly, Premier Li Keqiang's report to the 2020 congress for the first time deleted the vital qualifier of 'peaceful' in discussing the 'reunification' of Taiwan (Huang 2020). This, in the lead-up to next year's 100th

anniversary of the CCP, along with maritime 'incidents' between Chinese and Taiwanese coastguard vessels, and the much-vaunted hotline between the two announced five years ago in Singapore being cut courtesy of Beijing all point in one very worrying direction.

Australia, already feeling the heat from increased gunboat diplomacy deployed throughout the Pacific, as well as attempting to stave off undue influence on its poorer Pacific island neighbours, faces its own set of unique challenges with China. We have Chinese activities in our Australian Antarctic territory, operatives of the CCP's United Front Work Department scattered throughout our country, a Victorian Government foolishly embracing the Belt and Road Initiative and research institutions allowing collaboration through China's 'Thousand Talents Program'.

If that wasn't enough, we continue to face economic bullying for our lead role in pushing for an inquiry into the origins of the coronavirus. Arbitrary tariffs placed upon our barley exports and baseless anti-dumping investigations launched against our wine industry are proof of the distance Beijing will travel to inflict pain and demonstrate its bullying retribution.

Those economic measures don't affect China as much as they affect Australia, and exports of greater value to the Chinese economy, such as iron ore, will probably never have sanctions placed upon them (in fact, sales of iron ore have increased). Nor do these incidents compare to the damage that can be inflicted by cyberattacks, of which Australia is the continual target, by 'well-resourced state-based actors' (no names ever mentioned, of course). Australia potentially finds itself in a precarious position, given our economic over-reliance on China.

China's influence on the UN and the WHO's response to Covid-19

China's aggressive influence campaign hasn't stopped at nation-states or even individual Australian states or research institutions but involves targeting international organisations as well, most notably and dangerously the UN and its subsidiary, the WHO. The institutions of the UN have been captured by totalitarian regimes while relying on the goodwill funding of the freedom-loving Western world. It's the same with its human rights bodies.

Since the outbreak of Covid-19 in Wuhan, Beijing has attempted to strictly control the information narrative of the virus. It covered up and obfuscated the facts about its possible origins, silencing whistleblowers who spoke out on the virus's contagiousness and lethality, and placed restrictions on academics publishing information on the origins of the virus, seeking all the while to bring the WHO under its influence.

On 14 January 2020, the WHO inexplicably tweeted that 'Preliminary investigations conducted by the Chinese authorities have found no clear evidence of human-to-human transmission of the novel coronavirus (2019-nCoV) identified in Wuhan, China.' Two weeks later, WHO Director-General Tedros Adhanom Ghebreyesus met with Xi in Beijing. Following the meeting, Tedros unbelievably complimented China for 'setting a new standard for outbreak control' and praised the country's 'openness to sharing information' with the WHO and the rest of the world (Collins 2020). The WHO stalled on classifying Covid-19 as a pandemic. Tedros was the deciding authority on issuing such a classification and, instead deciding to wait, he stated that this was 'an emergency in China', before the WHO finally classified the outbreak as a pandemic one week later.

Earlier this year, China was appointed to a seat at the Consultative Group of the UN's Human Rights Council, which appoints human rights investigators to examine global issues such as freedom of speech, enforced disappearances, arbitrary detention and health. Talk about the fox in charge of the henhouse! In each area of endeavour, China has not only comprehensively failed but actively operated its state power to deny freedom and transparency. It's therefore right and proper to advocate for the fundamental reform of UN bodies. The future of the UN as a credible international body, already under serious credibility pressures, is at stake. The policies of all freedom-loving countries need to be guided by our shared values and interests. Compromising values is never in anyone's long-term interests. Asserting our shared values and interests, such as freedom and accountability, will always be disingenuously berated as 'political' by dictatorships. Nevertheless, we must persevere.

> **Unfettered globalism doesn't always act in the best interest of each nation. Like every other nation, Australia has an important role to play on the world stage, but we can't simply sing the tune of massive unaccountable globalist institutions that erode sovereignty and are highly susceptible to manipulation. Our ultimate interests are inextricably interwoven with our unapologetic advocacy and promotion of our fundamental values, which are the universal values to which all humankind aspires—among them, the freedoms of speech, thought, religion and political association. Our national soul and values should never be sacrificed on the altar of international cooperation.**

The rising prosperity of the Chinese middle class was at first accompanied by some new-found freedoms and a loosening of communist shackles. Xi Jinping isn't Khrushchev, the political and economic reforms once hoped for have mostly failed to materialise, and those that have are being seriously wound back. Since Xi's ascension to the leadership, a tightening of authoritarian rule over the Chinese people and aggressive economic and geopolitical ambition have become the unattractive hallmarks of his regime. As the CCP looks to rectify its perceived humiliation at the hands of the West for the past 200 years, Australia and the rest of the world face an increasingly uncertain and dangerous road ahead.

So, how should Australia and other freedom-loving countries respond?

Nine hundred and four parliamentarians and policymakers (of which I was one) from 43 different countries, led by the former Governor of Hong Kong, Lord Patten, issued a statement decrying Beijing's 'unilateral introduction of national security legislation in Hong Kong' and calling for sympathetic governments to unite against this 'flagrant breach of the Sino-British Joint Declaration'.[1] This strong support is most welcome. We need such statements and expressions of resolve.

For all of Xi's manoeuvrings and offensives, from Huawei's plans to build 5G networks to the clampdown on Hong Kong, he's been met with greater resistance than he may have been expecting. When Huawei wished to roll out major 5G infrastructure, the governments of Australia, New Zealand and the US rightly rejected its involvement. The Australian Government described the company as 'likely subject to extrajudicial directions from a foreign government that conflict with Australian law', and New Zealand's

spy agency described it as a 'significant network security risk' (Burrows & Kilbride 2018). Recently, Britain also cut loose any involvement by Huawei in its 5G network.

So far, the US leads the way with its response against China. President Trump has employed both rhetoric, such as calling Covid-19 the 'China virus', and the pragmatic imposition of Magnitsky sanctions on Chinese and Hong Kong officials because of their involvement in repressing Hong Kong, as well as tariffs on billions of dollars worth of Chinese imports as part of his 'America first' economic policy. Trump removed America from the WHO because the WHO 'failed to make the requested and greatly needed reforms'.

Australia's approach is similarly determined and focused. In July, the Prime Minister announced a $270 billion boost to our defence capabilities and 'new strategic objectives for the ADF to counter the most consequential strategic realignment in the Indo-Pacific since World War II' (DoD 2020). Victoria's foolish and defiant involvement with China's Belt and Road Initiative (BRI) demonstrated a clear need for the federal government to intervene. The inexplicable decision by Victorian Labor Premier Daniel Andrews to sign a memorandum of understanding (MoU) with the Chinese Government, despite early warnings from the Department of Foreign Affairs and Trade that BRI projects aren't in Australia's foreign policy interests, needed to be overridden. The MoU reveals that China will exploit any gaps in Australia's response and that Australia faces difficulties in maintaining a cohesive and unified approach. The government's recent announcement to override the naivety or ideological blindness of Labor's Premier Andrews is another example of some very welcome decisive action.

The vindictive trade penalties applied to our barley and proposed for our wine and delays to our coal shipments should be responded to with a united voice from the freedom-loving countries of the world, together with a commitment not to play each other off a break. Could Australia tell the UN that our contribution for food aid will be reduced, as we'll use our aid funding to buy our Australian barley for distribution to needy countries? Would the UN then be minded to pressure the CCP to behave like a responsible global player? Similarly, our contributions to the WHO could be withheld until the desperately needed reforms are acknowledged as necessary and implemented.

International resolve is urgently needed to confront and call out the growing belligerence of the CCP monolith, which has been allowed far too much leeway. While there's evidence of a growing resolve, it needs to be more unapologetic and determined. It should never be forgotten that human nature yearns for freedom and liberty, and the Chinese people are no different. The oppressive CCP needs to be thwarted and made fully accountable for its dictatorial and repressive actions. We need to speak with one voice as a world community, drawing together a coalition of diverse nations with shared values.

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No more 'business as usual' with the communist regime in China

Senator Concetta Fierravanti-Wells

Australia has faced many challenges since the early 1900s. Whether it was from the Spanish flu, SARS, the global financial crisis, terrorism or dealing with fascist and communist regimes, Australians have always rallied to the cause. In so doing, at times, they have paid a dear price. Similarly, the Wuhan virus (Covid-19) has tested Australians' resolve and, by all accounts, the experience and its impact will shift the Australian way of life to a new paradigm.

We're an innovative society that relishes our freedoms, including freedom of speech, freedom of association and the rule of law—those characteristics of a Western-style democracy. By that same token, Australians are an inclusive society that has welcomed new Australians from many diverse backgrounds.

However, Australians will no longer tolerate 'business as usual' with the Chinese Communist Party (CCP) in Beijing, given the substantial evidence that the virus originated in China and attempts by the regime to cover up not only the virus's transmission, but also the number of deaths resulting from it (Allen-Ebrahimian 2020, Davidson 2020, Folmer & Margolin 2020, Geraghty 2020, Hagstrom 2020, Linder 2020, Qiao et al. 2020, Rauhala 2020, Shih et al. 2020, Zhuang 2020).

As a priority, the Australian Government should act on those matters that are under its direct control to implement:

• a plan for reparations or compensation for the enormous costs of the pandemic
• a plan to decouple from China.

Plan for reparations or compensation

Following the pandemic, it will be incumbent on the Australian Government to look at ways to recover damages. Billions of dollars of taxpayers' monies are being expended for health costs and damages to our economy, which is now in recession. Whether the virus originated in a wet market or a laboratory in Wuhan, evidence, including from Western intelligence sources, points to China's culpability (Botrao & Li 2020, Cotton 2020, Gertz 2020, ODNI 2020, Seal 2020, Takamura 2020, Wadhams & Jacobs 2020). This is the belief held by millions around the world, including Australians, who think the CCP regime should be held to account (Mills 2020, Bourke 2020, Chang 2020).

Despite its propaganda, Beijing's efforts to use the coronavirus to enhance its global standing have failed.

As the UK think tank, the Henry Jackson Society clearly states, had China provided accurate information at an early juncture, 'the infection would not have left China' and that:

> in order to preserve the rules-based international system and to protect taxpayers from punitive liabilities, the world should seek to take legal action against the PRC for the breaches of international law and their consequences. (Henderson et al. 2020)

Indeed, on the issue of culpability, questions have also been raised about whether the actions of the communist regime were deliberate (Hartcher 2020). A translated speech given to a select group of high-level CCP officials by Chi Haotian, China's Defence Minister from 1993 to 2003 and Vice-Chairman of its Central Military Commission, chillingly refers to 'using non-destructive weapons that can kill many

people' and the 'rapid development of modern biological technology and new bio-weapons' puts the recent outbreak in a more sinister light.[1]

Fox presenter Laura Ingraham recently reflected the views of many: 'How convenient. You lie about this virus, it kills an extraordinary number worldwide, then turn it all into billions in profit on a vaccine' (Pompeo 2020c). Her comments are linked to a *Global Times* article titled 'Patent affirms efficacy of vaccine developed by China' (Leng & Hu 2020).

The Henry Jackson Society report outlines some legal routes that should be explored by nations, corporations and individuals injured by the Covid-19 outbreak. Were the UK to pursue a claim against China and secure a judgement that mandates compensation, and were China to ignore it, the authors argue that Whitehall would be entitled to pursue any lawful means to collect that compensation, including seizing Chinese state-owned property or halting repayments on Chinese-owned sovereign debt.

In the US, various legal claims have been commenced, including legal proceedings by the state of Missouri against China.[2]

While issues involving compensation are complex, they require consideration by our government. They can't just be set to one side.

Fellow traveller foreign policy of appeasement

Threats to Australia by the CCP regime, including by its ambassador in Australia, are symptomatic of the predicament we find ourselves in. Years of questionable (defective) foreign and trade policy have made us vulnerable to economic coercion.

Those who are responsible for our 'fellow traveller' foreign policy were prepared to ignore the CCP's skulduggery so long as the 'rivers of gold' continued to flow—a very flawed economic model.

While the communist regime's bully tactics on different fronts have been clear over many years, there's been a reluctance by policymakers to offend China. Indeed, under the Abbott government, our free trade agreement with China was signed and the Port of Darwin lease was granted. Thankfully, the Coalition party room rejected the Turnbull government proposal for an extradition treaty with China. While our *2017 Foreign Policy White Paper* professed to be a projection of our values, commercial interests over many years have clouded our judgement. We preferred the appeasement of communist China rather than standing up for our democratic values and the rule of law.

Plan to decouple from China: reduce our dependency on the CCP regime

We'll need to reduce our dependency on China by increasing our self-sufficiency, especially in critical supply chains, and by seeking alternative markets (Rogers et al. 2020). The Australian public will be required to play its significant part. Indeed, every Australian consumer has the power of choice, and that choice should be to buy Australian over cheap and, in many cases, poor-quality Chinese-made alternatives.

When I visited Mongolia in 2018, I spoke with several Mongolian politicians who had studied in Australia (they and others who had studied in Australia were affectionately known as the 'Mozzies'). Some were quite blunt in their assessment that Australia ought not fear standing up to China. In fact, one made the

salient point that, while Beijing might not like you, it will still trade with you because it needs what you're selling. Mongolians know about survival, sandwiched as they are between China and Russia!

Indeed, as the recent record trade figures show, despite the bluster, our exports to China remain steady (Bagshaw 2020). This is because iron ore, coal and other high-quality commodities we export are vitally important to China's economic growth and feeding its 1.3 billion or so population.

Overhaul of critical infrastructure and foreign investment framework: the national interest

My prescient warnings in early 2018 regarding the CCP's debt-trap diplomacy sparked an international debate, most especially regarding Beijing's Belt and Road Initiative. The initiative is debt-trap diplomacy. The CCP is using the pandemic as a cover to take advantage of economically stressed nations (Cheong Seong 2020).

As part of decoupling, it's also vital that we overhaul our critical infrastructure and foreign investment framework, including by expanding the parameters of 'national interest' to ensure we protect our national sovereignty. We need to look at practical ways to protect our sovereignty, starting with the Port of Darwin.

Any reform of foreign investment policy will require more areas to be subject to scrutiny as well as greater restrictions on foreign ownership and control. Policy reform would include restrictions on acquisitions and leases by entities, whether Australian owned or controlled or with foreign directors, or directors with dual nationality taking over Australian businesses or companies.

Such an overhaul will also require an examination of the exemption for acquisitions by foreign entities from our federal, state, territory or local governments. While there have been changes since the acquisition of the Port of Darwin, the exemption from foreign investment review still exists for acquisitions from our governments unless the purchaser is a foreign government investor and the subject of the sale is public infrastructure. We should now consider removing the exemption so that *all* acquisitions by foreign entities are subject to scrutiny and the national interest test.

Freedom of navigation operations in the South China Sea

China is using the pandemic to aggressively pursue its illegal claims in the South China Sea, including against Taiwan (Huang 2020, Jha 2020, Kelly 2020, Mangosing 2020).[3] We can't continue to assert on the one hand that we don't recognise China's claims in the South China Sea, yet, on the other hand, shy away from undertaking freedom of navigation operations within the 12-mile limit with the US and other allies. It would be freedom of navigation inside the territorial waters of the rightful owners of the respective islands of the Philippines, Vietnam and other nations, which are illegally claimed by Beijing through the nonsense of the 'nine-dash line'. Freedom of navigation operations would also include, where required, proportionate responses to counter Beijing's illegal and bellicose actions.

We need to remember that, as a member of the Five Eyes and a key member of the ANZUS alliance, our loyalty should be to our friends, not those who seek to do us harm and who call us derogatory names. Our loyalty should be to those who stood by us in difficult times—let us not forget the rivers of blood that Americans have shed to help defend Australia. The CCP's mission is to weaken the US and its allies through divisions within the US's alliances.

China is not a democracy. It's a totalitarian regime. It doesn't play by the international rules in a fair way. Indeed, Beijing abuses the international rules-based order to gain an advantage and rejects the observance of international law when observance isn't in its interests. Beijing is not a very good international citizen. It was therefore regrettable that at the joint US–Australia press conference on 29 July 2020, after the usual platitudes about 'values', Marise Payne stressed the differences between the US and Australia but said that, given the importance of our relationship with China, 'we have no intention of injuring it' (Morrison & Payne 2020).

Greater awareness of CCP skulduggery in Australia

The pandemic has brought greater focus on the CCP's activities, both within China and internationally. The spotlight has been placed on its disregard for international law, its infiltration of international bodies, its cyber activities, its persecution of groups such as the Uyghurs and Falun Gong and, most recently, its breaches of the Sino-UK declaration relating to Hong Kong through the passage of the security law.

Australians have become much more aware of the insidious practices of the CCP in Australia by those loyal to Beijing, including the work of the United Front Work Department and the Confucius Institutes. The Pavlou case at the University of Queensland and the recent attempts to censor free speech at the University of NSW have highlighted the dependency in our universities on Chinese students and funding from Chinese sources. Clearly, the universities most at fault have failed to follow the advice of their own business schools on practising sound investment strategies, including the diversification of income streams.

In addition, publications by Professor Clive Hamilton and Alex Joske have contributed to the education of Australians and growing awareness of the insidious practices by Beijing loyalists in Australia (Hamilton 2018, Hamilton & Ohlberg 2020, Joske 2020). That contribution to the debate has resulted in the growing wariness that Australians feel towards the CCP, thus cementing the view that it can no longer be 'business as usual' with China.

Conclusion: political fortitude

Just over a year ago, we allowed three Chinese warships to sail into Sydney Harbour on the 30th anniversary of the Tiananmen Square massacre. We're advised that it was a cabinet decision! Changing business-as-usual practices in our dealings with the CCP will require the Australian Government to demonstrate a greater deal of political fortitude.

Despite all the rhetoric and spin, we're not seeing necessary and decisive actions to give effect to changing business as usual. The recent decision regarding arrangements that states, territories, councils and universities have with foreign governments are at least an indication that the leviathan ship of state may finally be starting to alter course to a better direction, albeit slowly. It will take a great deal more political fortitude before the ship settles on a safer course to protect Australia's sovereignty and our democratic values and principles.

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Rebalance, don't decouple the relationship with China

Tim Wilson MP

Advancing Australia's economic sovereignty depends on risk diversification and rebalancing our economic relationship with China, not decoupling it.

Trade is a vital contributor to our prosperity. Free trade has enabled us to be a more competitive country. Cheap imports and technology have aided our industries' international competitiveness and improved consumer choice.

> **Securing our sovereignty will involve acute and targeted measures that manage or remove needless risk from the infrastructure of our economy.**

Expanded market access has increased the opportunities for businesses to export. We're a country that can never consume everything we produce.

The Centre for International Economics' 2017 *Australian trade liberalisation: analysis of the economic impacts* report highlighted that one in five Australian jobs was supported by trade—1.6 million in export-related and 671,000 in import-related areas (CIE 2017).

However, the Covid-19 pandemic has revealed the challenges states face where they're overexposed and heavily dependent on economic integration with a single partner. Successive governments have sought to broaden Australia's trade exposure by pursuing free trade agreements, but we still send around a third of our exports to China.

For Australia, the downside risk was exposed for elements of the services sector, such as education and tourism, as we limited people's movements by justifiably closing our international borders to stop Covid-19 spreading.

And the risk of dependency on manufactured imports became obvious as other countries imposed measures that slowed supply chains and exports, or redirected production to address domestic concerns.

Those risks came to the fore through the sudden surge in global demand for personal protective equipment at the start of Covid-19.

The Peterson Institute for International Economics estimates that around 42% of the world's face shields, garments, mouth–nose protection, gloves and goggles is imported from China. This increases to 54% for Australia (Bown 2020).

This rightly raises questions about how states could become so dependent on a single source, but the issue extends beyond medical goods.

In mid-2020, the UK's Henry Jackson Society published *Breaking the China supply chain: how the 'Five Eyes' can decouple from strategic dependency* (Rogers et al. 2020). The report looked at the extent of the US's, the UK's, Canada's, New Zealand's and Australia's exposure to the 'Middle Kingdom'.

Its insightful analysis identified Australia as the most dependent of all 'Five Eyes' countries on China for strategic goods—items considered critical to a sector's continued operation. This was particularly the case for certain chemicals, compounds and metals, as well as medical goods and pharmaceuticals.

This strategic situation has driven calls for Australia to decouple completely from China. That's neither practical nor in our national interest.

You decouple when a relationship has ended in order to go your separate ways. Economic realities and a commitment by all Australian governments to continued prosperity require us to remain open and to trade with all states. Therefore, our relationship with China needs to evolve, not end.

In his *The costs of COVID: Australia's economic prospects in a wounded world* paper for the Lowy Institute of International Affairs, economist Dr John Edwards argued that, in a choice between trade and security, 'the truth is that Australia chose long ago' (Edwards 2020).

Logically, Australia 'chose its region, including its largest member, China, as the economic community to which it inescapably belongs. It also long ago chose the United States as a defence ally to support Australia's territorial independence and freedom of action.'

This isn't just because of the economic power of China as a direct market for Australia's exports, but 'because it is the major trading partner for Australia's other markets in East Asia'.

So long as Australia is geographically located in the Asia–Pacific, our relationship to all proximate trading partners will ensure that China will only ever be one step removed from our own trade networks.

Australia can project and protect its sovereignty as long as relationships are built on mutual respect, but asserting economic sovereignty isn't dependent on economic severance or isolation.

Understanding how to respond to foreign actors and actions is critical in understanding the changing ecosphere that we operate in. And it isn't solely determined by policy made in Canberra.

Foreign policy expert Dr John Lee finds that, while nations within the broader West, such as Australia, are looking to reposition their relationships with China, the Chinese Communist Party is actively seeking to lock states into set economic partnerships, especially through its broad Belt and Road Initiative.

According to Dr Lee, China is working to 'deglobalise' the world by building 'regional Sino-centric infrastructure, platforms and institutions which will facilitate trade, investment and other beneficial economic exchanges between China and countries along the BRI' (Lee 2020).

When this strategy fails, China turns aggressive, resorting to 'influence operations and trade coercion' according to Alan Dupont from Lowy. A tactic whose effectiveness will increase if China and the US continue to separate the world into 'two internets and competing financial systems' (Dupont 2020).

We're kidding ourselves if we think there are easy answers.

The challenge of Australia's relationship with China is advancing our national interest amongst competing strategic, economic and diplomatic considerations. The best approach is to drive cooperative action with other countries in our region.

We must ensure that we maintain a mutually respectful relationship with the most economically significant state in the region—China.

We must buttress our regional neighbours to be sovereign actors that are confident in standing up for themselves by reinforcing their independence as we work to create a regional community of respectful trading nations.

We must work constructively with our regional allies while minimising the risk of becoming a proxy for retaliation.

Geopolitically, many states are looking at Australia and the management of our relationship with China to help guide their own paths.

Our strategy is delivering results. Our decisive leadership delivered an impartial investigation into the early failures to contain Covid-19 through the World Health Assembly. Additionally, many countries are now also seeking to revise their foreign influence laws, for which Australia is considered the gold standard.

The pandemic has given Australia the opportunity to leverage our strength as a middle power and trading nation.

We responded to the crisis of personal protective equipment and ventilator shortages by successfully repurposing domestic industry, and, through the breadth of our trade links, we were able to import stock as it became available.

As Industry Minister Karen Andrews said in a speech to the National Press Club, 'we can't just rely on foreign supply chains for the essential items we need in a crisis … we have to be able to supply, or at least pivot our production processes' (Andrews 2020).

That's a task the National COVID-19 Commission Advisory Board has rightly been charged to address. It isn't an entrée for protectionism.

Securing our sovereignty will involve acute and targeted measures that manage or remove needless risk from the infrastructure of our economy.

This is the approach the Coalition government took when it banned companies who would likely 'be subject to extrajudicial directions from a foreign government' (Dixon 2019) from building Australia's 5G network because of the opportunity that would provide to foreign actors to compromise our digital sovereignty.

However, we haven't sought to restrict the sale of consumer mobile phones made by Chinese companies Huawei and ZTE for example, as that trade arrangement doesn't provide the capacity to undermine our digital sovereignty.

Under that same logic, in March 2020 the Coalition government removed the threshold test for the Foreign Investment Review Board to ensure that all bids for Australian companies would be scrutinised in order to stop predatory acquisitions (Frydenberg 2020).

That task won't end with the conclusion of the Covid recession.

There will be a heightened need to continue ensuring that investment approvals in key sectors align with our economic and national security objectives.

Our strategic exposure to China makes us vulnerable to not only economic coercion but also supply-chain disruption and dependency.

ASPI's recent *After Covid-19: Australia and the World* report (volume 1) found that 'there have been previous supply-chain scares, such as China's coercive use of its dominant position in the production of rare earths' (Hellyer 2020).

Australia's Critical Minerals Strategy, which was released in 2019, is an important piece in the supply-chain puzzle, as it focuses on promoting investment and innovation while building a resilient domestic economic capacity (DISER 2019).

The Department of Defence's *2020 Defence Strategic Update* also found that Covid-19 disrupted supply chains that are part of our core economic structures and Defence capability planning, highlighting the need for a 'sovereign industrial capability' (DoD 2020).

The update states that the immediate focus is on 'the equipment and supplies required for the health response to the pandemic' and 'over the longer term … the potential vulnerability of global supply chains in providing critical defence supplies and equipment' (DoD 2020).

The onshoring of all manufacturing may appear alluring, but it provides false comfort. We build economies for prosperity and peace, not conflict and crisis.

This sentiment can be seen in the *Modern Manufacturing Strategy* released by the Morrison Government alongside the 2020 Budget through its targeted support to specific areas of comparative strength, such as medical product manufacturing (DISER 2020).

Similarly, attracting investment to develop domestic energy innovation, such as hydrogen systems, will help reduce our energy risk while laying the groundwork for potential future competitiveness.

Covid-19 isn't the only risk states face. We also face risks from natural disasters, geopolitical threats, economic disruptions and cyberattacks, to name a few.

Targeted measures can assist in smoothing out short-term supply shocks. Australia already does this through measures such as the National Medical Stockpile and strategic oil reserve, but they're measures to manage risk, not to avoid it.

This was a theme identified by the Centre for Trade and Economic Integration at the Graduate Institute Geneva in its recent report, *COVID-19 and trade policy: why turning inward won't work.*

The report found that 'risk management literature has been looking at resilience and robustness of supply chains for more than 20 years [and] it does not conclude that domestic production or shorter supply chains are the best way of addressing risks' (Baldwin and Evenett 2020).

Instead, 'by allowing buyers to tap supplies produced in many national markets, individual supplier-specific and country-specific risks will be reduced', as Australia demonstrated through our capacity to import PPE.

The evidence also shows that there was a pre-existing trend before Covid-19 towards the regionalisation of supply chains to hedge risk.

That trend is likely to continue as states such as India, Japan and Australia pursue the Supply Chain Resilience Initiative to reduce supply-chain dependence on China. The initiative could eventually be expanded to ASEAN nations as a way of broadening supply chains to build economic independence.

Governments have much to learn from the private sector. The fastest moving actors in this crisis have been private companies that have diversified their supply chains to hedge against disruption risks.

In his National Press Club address, Prime Minister Scott Morrison rightly asserted that Australia 'will continue to be part of global supply chains that can deliver the prosperity we rely on to create jobs, support incomes and build businesses' (Morrison 2020).

We do so because 'our economic sovereignty will be achieved by ensuring our industries are competitive, resilient and able to succeed in a global market. Not by protectionism'.

Securing our short and long-term sovereignty requires targeted measures that balance national security concerns with our status as an open trading economy. Our prosperity is linked to trade and it's that wealth that enables us to underwrite investment in our defence force and regional security. Ultimately, a poorer Australia is a weaker Australia.

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Finding common ground on China

Andrew Leigh MP

In 2000, the Reserve Bank of Australia held a conference reviewing the 1990s. The US was mentioned 93 times. China wasn't mentioned once.

In some sense, the omission was unsurprising. In 1990, Australia's economic output was almost as large as China's. The country that mattered most economically was the US. Conveniently, the US was also our top security ally.

> It's only through engagement with China and our regional partners that Australia can help shape the kind of region we want: one that's stable, prosperous and respects sovereignty.

In the 21st century, economics and geopolitics diverged. For the first time in Australia's history, our top economic partner wasn't a key security partner. Since then, the dissonance has only become starker. Between China and Australia, economic relations have boomed, and security tensions have grown.

Today, China looms large for economic and foreign policymakers alike. Much is made of the differences—between Americophiles and Sinophiles, hawks and doves, businesspeople and national security experts. In this environment, it's useful to identify the points of commonality in the Australian domestic debate and use those shared facts to shape a more constructive conversation.

The Chinese and Australian economies are deeply enmeshed

China is the number one destination for Australian exports, and our exports to China are now over six times as large as our exports to the US. It's not just rocks and crops: China is Australia's largest source of tourists and overseas students. While COVID-19 has dented both sectors, it seems likely that Chinese travellers will outnumber visitors from any other nation once international borders reopen.

China is also the number one source of our imports. Indeed, if someone snuck into your home and removed everything bearing a 'Made in China' sticker, you'd likely think you'd been ransacked. China's economic rise hasn't just brought hundreds of millions of its own citizens out of poverty; it's also tangibly increased Australian living standards, too. From bicycles to clothing, consumer electronics to furniture, Chinese imports help household budgets stretch further.

Beyond economics, China is also Australia's top scientific research partner. Australian scholars have published more scientific research involving partners affiliated with Chinese institutions than with any other country (Laurenceson & Zhou 2020).

China is an autocracy with a dismal human rights record

In July 2019, Australia joined 21 other nations in a statement at the UN Human Rights Council expressing concern at the mistreatment of Uyghurs in the Xinjiang Uyghur Autonomous Region. Leaks reported in the *New York Times* suggest that one million people may have been sent to internment camps and prisons in the region (Ramzy & Buckley 2019). As Human Rights Watch notes, 'No other government is simultaneously detaining a million members of an ethnic minority for forced indoctrination and attacking

anyone who dares to challenge its repression' (HRW 2020:1). It observes the centralisation of power under President Xi, and the way in which independent journalism has been curtailed, online conversation has been censored and civic groups have been disbanded.

In Hong Kong, the new national security law and the arrest of prominent democracy activists has led many to draw the conclusion that China is undermining the principle of 'one country, two systems'.

In the South China Sea, the militarisation of disputed islands demonstrates that China's old maxim of 'hide and bide' is well and truly over. Freedom House reports that 'Chinese transnational censorship and propaganda activities are accelerating worldwide' (Repucci 2020:6). A recent Pew Research Center survey finds that across 14 advanced nations, more than seven out of ten people in every country say that they have no confidence in President Xi Jinping to do the right thing regarding world affairs (Silver et al. 2020).

The Chinese Government, Chinese citizens and Chinese-Australians are different

The distinctions between the Chinese Government, Chinese citizens and Chinese-Australians arise in many ways.

For example, the Chinese Government may be becoming more autocratic, but many Chinese citizens would prefer a move in the opposite direction, perhaps to a Singaporean hybrid democracy.

Many Chinese-Australians chose to live in Australia because they prefer our system to the Chinese one, and are rightly offended when they're accused of being a fifth column for Xi Jinping's increasingly authoritarian regime.

As John Fitzgerald noted in his ASPI report *Mind your tongue* (2019), critics who conflate ethnicity and government policy make it easier for the Chinese Government to deflect reasonable criticisms as outright racism (Fitzgerald 2019). Australia isn't free of discrimination—my own research found evidence of hiring bias against those with non-Anglo names—but to caricature foreign policy differences as mere xenophobia is deeply unhelpful (Booth et al. 2012).

Australia's needs to seek security in Asia, not from Asia

As the power balance in the Asia-Pacific changes, other regional powers are feeling the same challenges as Australia. Australia has a strong track record of working with countries such as Indonesia, Japan and Singapore. It's never been more important to develop those ties and find creative ways of cooperating on climate change, international development and trade liberalisation.

To reduce the chances of future zoonotic diseases emerging, Shadow Foreign Minister Penny Wong proposes that Australia promote a regional pandemic prevention initiative, 'looking at sanitation, live animal markets and the interactions between animals and humans', and drawing on the successful model of the Jakarta Centre for Law Enforcement Cooperation (Wong 2020a).

Allan Behm proposes that Australia initiate an annual Pacific Donors' Conference, bringing together donors and recipient nations to improve aid effectiveness and reduce wasteful overlap (Behm 2020a).

Collaboration is also a theme of a recent report by the Asia Society Center on US–China Relations, the Bertelsmann Foundation and George Washington University's China Policy Program. Titled *Dealing*

with the dragon, it emphasises the value of transatlantic cooperation on cybersecurity, technological standards and foreign investment.[1]

In foreign affairs, fiery rhetoric rarely helps

Furious tub-thumping tends to be the behaviour of weak powers, not strong ones. We expect hyperbole from North Korea, not France. Escalating rhetoric from China and against China for political purposes is a dangerous strategy. The smart answer to assertive 'wolf warrior' diplomacy on the part of China is surely not to create a group of anti-China 'wolverines' in the federal parliament. As Allan Behm recently observed, 'The over-investment in emotion masks an under-investment in thinking' (Behm 2020b:3).

There's a reason it's called diplomacy. Being diplomatic tends to be the way of getting things done. Both Australia and China have had our periods of isolationism, but each nation is at its best when embracing cosmopolitanism and openness. China flourished in the Tang Dynasty, and Australian openness in the late-1800s helped ensure that our living standards were the highest in the world.

The future isn't written

Sometimes history can be a helpful guide, but it can also trap and stultify our thinking. China isn't ancient Athens, and it's not Nazi Germany. For the first time in Australia's history, the nation faces a situation in which our main economic partner isn't also a key security partner. It was perhaps inevitable that our relationship with China would worsen at this time, but it need not have sunk to an all-time low. After all, engaging diplomatically with undemocratic nations isn't a new challenge—it's what we've done for most of our history. When Australia initiated the APEC leaders' meetings in 1993, most of its members weren't full democracies. Likewise, Australia prioritised the G20 in the 2007–08 global financial crisis, working with democracies and autocracies alike. Effective foreign policy spans language, culture and geography to build on shared interests.

If you agree with me on the six points that I've noted, you'll share my rejection of the extremes. Some exporters seem to think that we should ignore human rights abuses and breaches of the rule of law, if that helps us make a few more bucks. They're wrong. All countries must be held accountable to their international commitments—including on human rights and the rule of law—and Australia should be raising our concerns consistently, while rejecting the politicisation of international trade.

But it's also wrong, as some hawks have suggested, to suggest that Australia should drastically cut economic ties with China. Doing so would be enormously costly to the Australian economy, driving up unemployment and driving down productivity. As John Edwards reminds us, 'Without trade with China, Australia's living standards would be lower, its economy smaller, and its capacity to pay for military defence reduced' (Edwards 2020). Beyond the economic cost, disengagement from one of the world's largest economies wouldn't be the smart strategy.

It's only through engagement with China and our regional partners that Australia can help shape the kind of region we want: one that's stable, prosperous and respects sovereignty.

Only economic openness will secure the productivity growth that could again raise Australia's living standards to the highest in the world (Kirchner 2020).

When Australia recognised China in 1972, we didn't offer a stamp of approval for Mao's brutal regime. Instead, recognition was an acknowledgement of the geopolitical realities and reflected a willingness to work to find common ground in the bilateral relationship. In the decades since, millions of Australians and Chinese have formed friendships, built trading ties, travelled in one another's countries and worked alongside one another. As Penny Wong notes, 'Our relationship with China, as with any other country, must be guided by our values and interests—including transparency and sovereignty' (Wong 2020b). Fear, division and anger are poor substitutes for courage, justice and wisdom.

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Notes

1   *Dealing with the dragon: China as a transatlantic challenge*, joint report, Bertelsmann Stiftung, Program Germany and Asia; Asia Society Center on US–China Relations; China Policy Program, George Washington University, June 2020, online.

Securing our sovereignty

Senator Jim Molan

To manage Australia's medium- to long-term sovereignty, we need a national security strategy.

Twin challenges

Australia faces two challenges that will demand change: Covid-19 and our deteriorating strategic environment. How we react to both could define our nation for the next few decades. Covid has created an acceptance for change almost everywhere across Australia. Similarly, the deteriorating strategic situation has been recognised and key counters have been initiated in defence, foreign interference, manufacturing and cybersecurity, to name a few. It's generally accepted that we need to further eliminate any complacency and use the strengths of our liberal democratic system, our natural resources and the relationships we share. A better way of organising ourselves is needed to both lead change and manage these twin challenges in the medium to long term.

> The forces that I see as creating an opportunity for change in our era are leadership, technology, social cohesion, agility, government incentives and the traditional one of national power.

The greatest danger that Australia faces coming out of Covid is the belief that it would be a great achievement to just remake Australia the way it was, with its frictions, its imperfections, its complacency, its ideological divides, its archaic and wasteful structure of governments and economy, and its strategic vulnerabilities affecting our very sovereignty.

Australia has achieved great things as a liberal democracy, but for the past 75 years we've been rich and secure enough to hide our imperfections and inefficiencies. That era has finished. To just re-establish the nation that we were before the pandemic wouldn't be a triumph or even an achievement. It would be a lost opportunity, a tragedy, and possibly an existential one.

Covid is a once-in-100-year tragedy, but also a once-in-100-year opportunity.

We have an obligation to turn the post-Covid period into Australia's renaissance though vision, policies and strategies that create a self-reliant, prosperous, sovereign nation at no permanent cost to our real freedoms. Australia needs redefining, most of which will be forced on us, some of which we can choose. Embracing significant change, and how well we do, it is up to us. We just happen, at the moment, to have a government and leadership that could do it.

Governments deliver security

The days when the market provided the unprecedented prosperity Australia has enjoyed over the past 75 years, while the US guaranteed almost total security, are gone and are unlikely to return in the short to medium term. Only through using the enduring forces of the 21st century along with our natural advantages will Australia remain prosperous, liberal, democratic and securely sovereign. The government must guide that change because of the magnitude and complexity of the forces in play, but only society and industry can make it happen.

The forces that I see as creating an opportunity for change in our era are leadership, technology, social cohesion, agility, government incentives and the traditional one of national power.

Some of those are Australia's natural advantages. If they're allied with our geography, resources, educated population, culture and alliances, stability and governance, Australia can increase its sovereignty while maintaining the liberal values that define us. What's needed is vision by the government, practical policies to convey that vision and comprehensive strategies to achieve them.

Practicality, not ideology, is the hallmark of this government, and we've shown that time and again. My view is that the market has delivered extraordinary prosperity since 1945, but in the past few decades it hasn't delivered the security that we need in these uncertain times. The Morrison government has shown itself to be a 'doing' government. Only 'doing' governments can deliver security, and security based on self-reliance is the bedrock of sovereignty.

The fundamental question is this: despite the Australian Government's competent handling of recent crises, will the current system handle preparations for and management of a vastly more complex and lethal national security crisis that's described in the 2020 Defence Strategic Update?

The forcing function of crisis

Covid-19 and the deteriorating security environment are two forces that won't be denied. Covid created and illustrated national health and economic vulnerabilities, shattering some of this nation's complacency. It has also shown that we face challenges to our sovereignty. That point has yet to be fully explored by Australian analysts. As well, the deteriorating strategic environment has been on display, and we haven't yet seen the worst of it. This deteriorating situation could, in the extreme, threaten the very existence of our nation.

There are many examples of countries coming out of crisis much stronger than they went in. None of them was in as favourable a position as Australia is today. Examples over time have included Singapore, South Korea, Taiwan, the Baltic states and Israel, all of which are small to middle powers that are modern progressive nations with high levels of government intervention and prosperity; some are almost anarchically democratic.

Israel is a classic case in point and, like the Baltic states, has cultural similarities to Australia. Israel started as a unified but insecure society based on Jewish suffering and ideals, with a strong socialist bent and surrounded by hostile neighbours. Through crisis after crisis, it has used technology, leadership, social cohesion, agility, government intervention and national power to become a secure, innovative and prosperous capitalist society shaped by government intervention. It did that alongside and in parallel to market forces while maintaining its high level of democracy.

As a 21st-century nation, Israel enjoys a constant stream of visitors from other nations asking to be shown how they did it. It's a nation with extraordinary self-reliance and confidence and a very high level of sovereignty and is dramatically increasing its level of security.

Crisis is a forcing function. Crisis offers the opportunity to change and, if you're going to change, the change should be substantial. It doesn't have to be revolutionary or at the expense of democracy. It may need to be implemented incrementally over time, if we have time, because it's dependent on public acceptance. Throughout all change, the objective must be to enhance the nation's sovereignty.

Sovereignty and freedom

What Australia must aim for is to increase our sovereignty while maintaining our core values of democracy and individual freedom in a prosperous nation. We should make strong incremental change shaped by vision, policies and strategies, towards a medium- to long-term goal of increasing sovereignty through self-reliance in all areas of the nation.

Australia has a Coalition government that isn't ideological but extremely practical. It espouses the conservative values of Menzies and Howard, at the same time as embracing intervention by government as demanded by both Covid and the strategic environment. Being a right-of-centre conservative coalition, it may be time that the term 'progressive', as used by Menzies to describe the party he envisaged, be recaptured from ideologues. Conservatives understand the value of the past yet recognise the need for practical progress. Nothing could be more progressive than government vision, policies and strategies to create a truly self-reliant, prosperous and secure nation, balancing government intervention, the market and liberal democratic values in a way only a Coalition government could. Change will be forced on us. Let's use and focus that change to create a sovereign Australia, fit for the 21st century.

'Sovereignty' is a term that's used frequently by the Prime Minister and by his ministers, by academics and by commentators, and certainly by me. My definition of sovereignty is the ability of a nation to act in its own interests. In liberal democracies, sovereignty means freedom to act in the interests of both the nation and the people, as defined by our democratic processes.

Only a government can provide the vision, the policies and the strategies necessary. The vision should be related to sovereignty, the government policies should cover the entire nation, not just one part, and the strategies must lay out the objectives of each functional part of the nation without restricting ministers' or officials' initiative and innovation.

How we imagine sovereignty is important. In my mind, sovereignty across the world exists along a continuum with subjugation at one end and total freedom at the other. Where Australia sits on the sovereignty spectrum can be forced on us by other nations, allies and competitors, or may be up to choices we make for ourselves.

Our freedom of action is decided in many ways. We may limit ourselves or take certain actions because our allies demand it or expect it of us. Our involvements in a series of recent conflicts are examples of this. We join formal or informal alliances because they allow us to promote our interests, such as sustaining individual freedom in a liberal democracy, overcoming a specific crisis or achieving a level of prosperity. Of course, our freedom of action is also defined by other nations, regional competitors or trading partners, especially those whose systems of government are inimical to our democratic beliefs.

One of the determinants of where we are on the continuum of sovereignty is how self-reliant we are. Self-reliance is defined as the ability to produce what we *need* from internal resources and not to rely on others for critical needs. Self-reliance isn't self-sufficiency. Self-sufficiency is defined as being able to produce everything that you *want* from internal sources. The prime example that comes close to self-sufficiency is North Korea, and the regime has achieved it by impoverishing the people.

During the pandemic, we discovered the hard way that our level of self-reliance wasn't adequate. We had to crash through to produce the personal protective equipment, medical devices and some

pharmaceuticals that we'd previously assumed would always be available from overseas supply chains. That was done very well but, in the bigger scheme of things, is just one of many vulnerabilities.

We overcame those limited shortages effectively but the lesson is that, in today's world, bad things can happen to us. The stability that's been guaranteed by our alliance partners around the world, which has made us prosperous and perhaps given us a false sense of sovereignty, can no longer be taken for granted.

The value of a clear vision, policy and strategy

The necessary simplicity of a national vision espoused by a government as the base for its policies stands in contradistinction to the complexity of the strategy and the leadership needed to achieve that vision. The vision of a nation based on concepts of sovereignty and self-reliance is easy to say, as was the vision and policy of the most successful pre-Covid coalition policy—'Stop the boats'. That's the nature and the power of a vision and policy.

To write what would be the strategy to achieve the vision and policy of sovereignty would be far more complex, take far longer and involve far broader consultation than the strategy to achieve border control and to stop illegal maritime arrivals ever did.

> **To be comprehensive, it would need to cover at least defence, the cybersphere, manufacturing, diplomacy, energy and fuels, society, finances, education, borders, intelligence, food, infrastructure and, probably the most difficult of all, government structures.**

This is what other countries would call a National Security Strategy.

If in fact we have an emerging vision, actual or inferred, based on sovereignty and self-reliance in our current circumstances that addresses both Covid-19 and our strategic environment, do we have a mechanism within our current government structures to create the comprehensive strategy to achieve our vision?

We're very successfully using the cabinet and committee system of government plus ministers and special taskforces, and of course high standards of individual leadership, to handle Covid and other challenges, such as cyber threats. The next challenge related to national security in the period after Covid is likely to involve a step-change in magnitude, and may require the type of government mechanisms that other countries have found useful.

Of the two most serious issues facing Australia, Covid is the most immediate, but managing our strategic environment is likely to be the most demanding. A vision based on sovereignty and self-reliance will address both challenges in the medium to long term. A vision may exist now, inferred or implied, and there seems to be an acceptance within society that change is necessary. Setting up the mechanism to achieve that medium- to long-term change towards self-reliance and sovereignty as we come out of Covid will be a critical step that government should consider now to shape both how we recover from the pandemic and how we face the strategic environment.

The consumer data right: Australia as a global standards-setter

Senator the Hon Jane Hume

As a popular Chinese saying goes: 'Third-rate companies make products, second-rate companies make technology, but first-rate companies make standards.'[1]

It's a mindset that certainly underpins China's development strategy. Technical standards are a key pillar of the One Belt, One Road initiative, and, through a 25-year standards plan reportedly in development, China seeks a leading role in global standards-setting (Wu 2020).

> **Taking a leadership role in standards-setting presents an opportunity to nudge global industry mindsets down a similar path, for the benefit of consumers globally.**

Although literature on standards-setting barely figures in the canon of development economics, China's focus is far from novel. Indeed, throughout the modern age, growing industrial and technological economies have used standards-setting as a tool to assert their industrial dominance.

The development of rail—the great enabler and bellwether of industrial development—brought with it fierce disputes over competing track gauges. In the postbellum US, the North moved rapidly to establish the 'standard gauge', forcing the South to follow suit in the interests of trade growth (Gross 2019). The inability of the Australian states and territories to come to an equivalent consensus, even after Federation, would become a century-long red-tape disaster—and an unfortunate emblem of competitive federalism.

Amid the post–World War II economic boom, the Soviet Union and its allies effectively isolated their populations from Western television by adopting the SECAM television encoding standard, as opposed to the PAL and NTSC standards prevalent in the West.[2] This was a soft-power play in more ways than one—it also allowed Soviet propaganda to dominate the television content of emerging allies in Eastern Europe and Africa that adopted the standard. The consequent use of PAL decoders by East Germans to view West German television broadcasts would become known as *Republikflucht via Fernsehen*—'defection via television'—and, as SECAM would ultimately lose the standards war, the East German authorities became powerless to police it (Dittmar 2004).

Global standards are an example of what game theorists call a 'coordination game'—in which all players achieve a Pareto efficient outcome by adopting the same strategy. And when a country takes the lead in determining a global standard, it has an opportunity to select the global strategy that best suits its own interests—in practice, providing its own firms with greater regulatory certainty, speed to market and export opportunities than their overseas competitors (Hawkins 2017).

The motivation for standards coordination has much in common with free trade agreements—an area where Australian governments of the past decade have shown prolific leadership (DFAT 2020). Yet, while there are strong and established coordination bodies for international trade, the world of standards is far more muddled. From food to telecommunications to consumer electronics, duplication of standards work abounds—the ISO, IEC, ITU, IEEE and IETF are among the plethora of similar-sounding bodies (Du 2018).[3] In the age of data, it's perhaps surprising that no settled centre of data standards yet exists.

Despite the Covid-19 pandemic, the Australian Government pressed ahead with the launch of the Consumer Data Right (CDR) on 1 July 2020 with the implementation of 'open banking'. The crux of the CDR is the mandating of data standardisation across the Australian economy—and, in doing so, catalysing a revolution in the way Australians harness their own data to make consumption decisions.

The CDR has been designed principally as a tool to empower decision-making, correcting for information asymmetry experienced by consumers by allowing them to authorise secure access to their own data by accredited third parties. It begins in banking at a time of immense financial stress, when Australians are seeking to adjust their financial affairs in unprecedented numbers—switching or refinancing their mortgages, revising their investment risk appetites, or looking at new credit or savings products as the pandemic takes its toll. The most immediate use case is to allow consumers to provide their data to competitors or comparison apps in order to give them accurate information about exactly how much they can save by switching service providers—and to reduce the time, cost and complexity of doing so (Treasury 2017).

Open banking involves the implementation of uniform standards by Australian banks in collecting, storing and transmitting data. Crucially, those standards also extend to the conditions governing the use, de-identification and destruction of that data, and the manner and extent of consumer consent required for such use.[4] The work to determine what standards are most appropriate is being replicated industry-by-industry as the rollout progresses among other consumer sectors affected by information asymmetry: energy, telecommunications, insurance, superannuation and more.

As the first jurisdiction internationally to implement economy-wide data standards, Australia has seized a first-mover advantage at a time of heightened global interest in digital trade and cross-border data transfer. With the introduction of the EU's General Data Protection Regulation (GDPR) and the European Commission's Revised Payment Services Directive (PSD2), there's a growing focus on implementing open banking standards in EU nations—and attention to data standardisation in other sectors and regions has followed.

As a result of these emerging regulatory regimes, there's a strong desire for commonality of consumer-related data practices, particularly in relation to consent. Consent risk—the risk of using data in ways that a consumer hasn't properly authorised, and therefore opening up a business to potential sanctions—is fast becoming a key issue for digital businesses, especially those operating under the GDPR. These new categories of regulatory uncertainty—in the notable absence of a central international body or forum—have created a policy vacuum that a growing number of countries are looking to Australia's CDR to fill. Already, a number of Asia–Pacific nations have commenced exploratory work on data standardisation, and see Australia as an exemplar.

The *2017 Foreign Policy White Paper* identified Australia's strong institutions and standards in the financial sector, among others, as a significant soft-power tool. The CDR puts that strength into action and coincides with renewed trade negotiations with key strategic partners—including the UK, after which Australia's open banking system was partly modelled—as well as the rise of trade agreements specifically targeted at the digital economy, including the recently concluded negotiations with Singapore.

> **Australia has inherent qualities that render it ideally placed to be the centre of global data standards. It's a nation built on trade, with strong links to both the established markets of Western Europe and North America and the attractive emerging markets of the Asia–Pacific.**

This is nowhere clearer than in the fintech sector, where Australia enjoys a significant demographic advantage that makes it an ideal testbed for Asian fintechs that want to enter Western markets, and vice versa: Australians are digitally and financially literate, have excellent financial inclusion with a banked population of nearly 100%, have very similar demographics to much of Western Europe and North America, and are renowned for the robustness of the regulatory system that saw Australia pull through the global financial crisis in the best shape of any developed economy.

Ours also is an economy that enjoys a strong culture of collaboration between industry incumbents, disruptive newcomers and government. That culture is a critical condition for the successful adoption and proliferation of any standards system, particularly in verticals with high consumer exposure where collaborative regulation is key; and it's a culture that aspirational standards hubs such as China conspicuously lack (Rühlig 2020).

As Australia's first minister for fintech, I'm excited about what taking the lead on data standards will mean for the growth of our fintech ecosystem—not just through open banking, but also through the rollout of the CDR in the closely related fields of superannuation and insurance. For sure, it will place Australian-grown companies ahead of the curve in both consumer expectations and business needs—an enviable position as the economy emerges from the Covid crisis. While trying to replicate the scale of Silicon Valley isn't and shouldn't be our aim, the predominance of San Francisco in the establishment of the internet age has gone hand in hand with its status as the *de facto* standards-setter for the internet and digital technology. I'm confident that our consumer-focused tech verticals can emulate Silicon Valley's success as a standards leader in consumer data.

In my time as minister, I've found it striking that our focus on the consumer is a uniquely Australian characteristic. Speaking to overseas audiences about prioritising consumers' interests in the banking sector has fairly consistently led to either blank looks or proclamations of genius. It's perhaps more common to hear bankers in other financial centres speak of consumers as an externality rather than a priority—let alone a driver of innovation. Australia's consumer-centric mindset is in large part the key to our fintech success to date, as well as our predominance in the services trade more generally.

Taking a leadership role in standards-setting presents an opportunity to nudge global industry mindsets down a similar path, for the benefit of consumers globally.

The CDR is our chance to influence the direction of digital trade and ensure the global adoption of important protections, such as consumer privacy, cybersecurity, consumer consent, mutual data-sharing obligations and prudential oversight.

This ripe opportunity carries with it some urgency. The CDR's benefits for Australian consumers will endure regardless; however, the vast benefits available to Australia as a digital trading leader depend on

swift global collaboration. Australia's first-mover status remains advantageous only as long as another nation doesn't emerge as a predominant rule-maker.

Just as Australians need to use adaptors when using overseas power sockets, the emergence of alternative global leaders in data standards would place additional burdens on Australian businesses already meeting the requirements of the CDR if they're forced to plug into an alternative system. Importantly, such alternative standards might not meet the consumer-focused prudential requirements that the Australian business environment should demand.

The creation of the CDR is a world-first achievement that Australians can be proud of. Championed by Prime Minister Scott Morrison in his former role as Treasurer, it has become a reality with the continued support of Treasurer Josh Frydenberg. Its launch in July followed years of collaborative work between industry, the Treasury, Data61, the Australian Competition and Consumer Commission, the Office of the Australian Information Commissioner and many others.

Now that the CDR is finally up and running, it's time for Australia to step up and—as the Chinese saying suggests—take our place as a 'first-rate' standards-setting economy.

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Notes

1 '三流企业做产品, 二流企业做技术, 一流企业做标准'.

2 PAL = phase alternating line; NTSC = National Television System Committee; SECAM = séquentiel couleur à mémoire [sequential colour with memory].

3 ISO = International Organization for Standardization; IEC = International Electrotechnical Commission; ITU = International Telecommunication Union; IEEE = Institute of Electrical and Electronics Engineers; IETF = Internet Engineering Task Force.

4 *Treasury Laws Amendment (Consumer Data Right) Act 2019*, online; Competition and Consumer (Consumer Data Right) Rules 2020, online; Consumer Data Standards, online.

Australia's global role in building democracy after Covid-19

Patrick Gorman MP

The 2020 parliamentary year started with a hope for a more purposeful democracy, driven by a bipartisan bushfire condolence motion.

The national cabinet was born in 2020 and gave Australians a sense of faith in our leaders, putting purpose above party and showing an ability to act fast, act in the national interest and act as a team.

During the crisis, most Australians turned to trusted sources of information, including the government, state premiers and members of parliament.

This year is also when we started the dismantling of Australia's democracy.

Parliament became optional. Our committees became virtual, and their hearings were disrupted by poor internet connections.

The once unified national cabinet frayed and split. The government's commitment to democracy and parliamentary traditions disappeared.

This isn't a uniquely Australian phenomenon. Democratic breakdown is occurring across the globe. From Hong Kong to New Zealand to the US we're seeing elections delayed or tweaked.

Even before the pandemic in 2019, the Global Democracy Index hit its lowest rating since it was founded by the Economist Intelligence Unit more than a decade ago (EIU 2020). That was before the coronavirus slammed the brakes on our public institutions.

This coming decade is a fight between believers that democracy will prevail and those who seek to say it's becoming too hard.

Australia must protect our core value of democracy.

A health crisis becomes a democratic and security crisis

Protecting democracy is the smart way to defend against bigger threats.

The world's health and economic challenge of 2020 will become a decade or more of ongoing national security and democratic challenges.

The Prime Minister rightly alerted Australians to this when he said clearly, 'We could see countries themselves fall into chaos.'

President Obama noted that democracy was under threat in the US when he said, 'Don't let them take away your democracy.'

On the security side, the UN Secretary-General's call for a global ceasefire during the Covid-19 pandemic has failed. Within weeks, international monitors were reporting ceasefire violations across the globe.

Things are likely to get worse. Peace talks and diplomacy have been curtailed by international and domestic travel bans.

We may see wars and conflicts emerge or be exacerbated. Australia, as a wealthy and comparatively lucky country in the wake of Covid-19, will be asked to help.

The International Crisis Group has rung the alarm on the potential for nations to exploit the crisis and for a dramatic acceleration in the shift in major-power relations. The group warns that our world in the near future could be one in which unpredictable civil conflict and failed states are part of our daily security challenge.

Our focus as a pivotal power on the world stage is to think how we can best prevent failed states.

A loud voice for democracy

Australia should become the leading international voice for democracy.

Much of my life has been spent actively participating in Australian elections. As an adviser to Prime Minister Kevin Rudd, as the campaign director for Labor's most recent transition from opposition to government in the great state of Western Australia, and now as the federal member for Perth.

I love elections—they bring out ideas, passions and Australia's best sausage sizzles.

Democracy is a value we take for granted far too often in Australia. But the rest of the world doesn't experience democracy quite as consistently.

As we adjust our international response to Covid-19, democracy building must be a priority.

> **Our nation will never have the financial heft of China's Belt and Road Initiative infrastructure funding program. Instead, we should have a 'Ballot and Representation Initiative' to play to our strengths.**

Promoting democracy and strong institutions rather than simply bankrolling infrastructure is cheaper and more effective, and is a strategic value we must prioritise.

Democracy building is very practical: training future leaders, enabling women to run for office, running free and fair elections, building ethical political parties, working with civil society to build accountability mechanisms, and ensuring parliaments of diversity.

The costs of not protecting parliaments and democratic institutions are clear.

Australia's democracy must set a good example

We start by setting a good example at home.

The habit of parliament reaching for the pause button when the movie gets too scary won't make our world safer.

The measures Australia has taken to suppress the spread of the virus and flatten the curve have been extremely successful.

That has come at a cost to our own democratic traditions. We must not let this crisis suppress our democracy or our commitment to international stability and order.

Australia, as a beacon of democracy and security in both our region and the wider international community, has a duty to ensure that those values shine as brightly as possible during these dark times.

Australia is a respected voice for democracy

Australia's democratic values aren't something we can just follow when times are good.

Our nation has embraced the task of growing and improving our democracy since federation in 1901. We've proved it's a good system for a start-up nation like ours.

When asked, we also help others. In 2014, I travelled to Kabul to observe the recount of the Afghanistan presidential election. Our team consisted of people from the US and India and a good contingent of Australians.

We were the nerdiest of all among that crew of election nerds. And we were respected observers because we practise at home what we preach abroad.

It's entirely appropriate that the country that has a voting system named after us—the 'Australian ballot'—should become one of the most active and loudest international voices for democratic values.

Many remember the lengths Australia went to in assisting Indonesia to shift to democratic government. We provided emergency assistance, advocated for Indonesia in international forums and pledged to back Indonesia's currency while the transition to democracy caused economic upheaval within the country. Australia has time and time again proven our commitment to democracy across the globe.

Our parliament is adapting

At home in Australia, as it has become clearer that the coronavirus outbreak could go well into 2021, we've adapted.

Practising democracy in Australia is currently more difficult than at any time since federation. Persistence has been key.

After months of resistance, parliamentarians can now connect via video link into the House of Representatives to give a speech or ask a question. We held our first federal by-election under coronavirus restrictions in Eden-Monaro.

This is a good sign that we've turned the corner from parliamentary cancellation towards a new sustainable democracy.

We need our democratic institutions to function because increasing reliance on the nation-state is the reality of the next decade. That's also the reality for our traditional allies, such as the US, while the Chinese political and economic system is also likely to increase its authority.

A functioning political system and a vibrant national debate aren't just about how we protect the health and livelihoods of our citizens.

We must also protect our democratic institutions for a decade that's going to be destructive and dangerous to democracy.

Australia's role in building democracy abroad

While things are comparatively good at home, for too long our global institutions have avoided the hard questions on promoting democracy.

This is a gap that Australia should and can fill.

There are three practical and immediate actions Australia can take to get democracy back on the international agenda.

1. **Demand leadership from the UN Democracy Fund**

   With a measly staff of eight and a tiny budget, the UN Democracy Fund is built to fail. But that doesn't have to be the case.

   Australia should lead a push with like-minded countries to replenish funding for the UN Democracy Fund. At the same time, it should become a standalone agency, not an appendage to the Secretary-General's office.

   Like-minded countries could help build a fund into the hundreds of millions of dollars, helping run fairer elections in more parts of the world.

2. **Reprioritising democracy building in the aid program**

   Australia currently spends $793 million a year on capacity building and governance initiatives in our aid budget (DFAT 2019). 'Effective governance' is important, but so is representative government.

   Elections are expensive in dollar terms, but extremely cheap, given the benefits they bring.

   Increasing the democratic institutions of our aid partners also increases our confidence in the spending of our aid. Australia's country-specific programs in supporting free media and civil society organisations play an important role, too.

   The Australian expertise we have could be shared more widely, and the 75,000 people who work for the Australian Electoral Commission at election time could take on more roles in running and observing free and fair elections abroad.

3. **Push for democracy to be part of the next Sustainable Development Goals**

   The Sustainable Development Goals run until 2030, and we'll need to renew and revise them in coming years as they become part of our Covid recovery.

   A lack of international will, combined with Covid-19, has halted progress in areas from climate to education to gender equality.

   The Sustainable Development Goals have avoided the difficulty of mentioning democracy. Australia should lead the charge to change that.

   Wouldn't it be good if one day Goal 16 'Peace, Justice and Strong Institutions' instead becomes 'Peace, Justice and Strong Democracies'. After all, the UN says that democracy is a core value of the institution.

   We know there are many countries that will object to this change, but this is a discussion worth having and worth Australia fighting for.

Conclusion

For more than a century, Australia has been a leading force of democracy—the secret ballot and an independent electoral commission and seat redistribution process.

The era of Australia's humility on the world stage is over—it's time to share our passion and expertise in this space with the international community.

Australia becoming an international voice for democracy will energise our diplomats and is entirely in line with our values.

This should become a priority for the next decade as part of our contribution to building and maintaining a post-Covid rules-based order.

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Supplying Australia

An agriculture-led recovery

The Hon David Littleproud MP

Our recovery from the economic impacts of COVID-19 is a challenge that Australia's famously resilient producers will embrace—through innovation, ingenuity and initiative.

And recovery doesn't mean going back to where we were. Growing the agriculture industry from $61 billion today to a $100 billion powerhouse by 2030 is a vision the Australian Government is proudly supporting industry aspire to.

The recent Budget reflects our focus on ensuring producers thrive in a post-pandemic world and sets the foundations for delivering Ag2030—driving job creation and economic growth, whilst also supporting recovery from drought, bushfires and the impacts of COVID-19.

We have identified seven priority themes for action—Trade & Exports, Biosecurity, Stewardship, Supply Chains, Water and Infrastructure, Innovation & Research, Human Capital—that support industry's ambitious target.

I am confident that by focusing our efforts on these priority themes, we will create the environment needed for industry to fulfil its ambition.

The Budget delivers the $328 million *Busting Congestion for Agricultural Exporters* package to boost our exports. Red tape will be slashed through implementation of a digital single touch point for exporters, and more sector specific streamlining measures for the live export, red meat, seafood and plant industries.

The Budget also continues the successful International Freight Assistance Mechanism, taking our total commitment to $669 million. This mechanism has kept vital imports and exports flowing and is buying time for our producers to adjust to the 'new normal' of the global trading environment—fewer routes to markets and higher freight costs.

We're investing in a Simplified Trade System—focused on streamlining approvals and reducing red tape—to deliver benefits for all at the border.

Protecting Australia's world-class biosecurity system is crucial, which is why we are investing $873 million for biosecurity and export programs, an increase of $243 million since 2014–15.

The pandemic has been a stark reminder of the far-reaching consequences zoonotic diseases can wreak. The government recognises that fundamental changes are needed at the global level to prevent another pandemic of zoonotic origins.

This is why Australia is calling for a concerted global effort to reduce high risk human–wildlife interactions such as those occurring at 'wet' wildlife markets.

Australia will also continue to fiercely advocate for a multilateral trading system and rules-based order, as they provide a fundamental framework that's open and transparent and supports international trade.

Australian producers are some of the greatest environmental stewards of our land and water. In recognition of this, we are focusing on improving environmental outcomes and rewarding primary producers through initiatives such as the Agricultural Stewardship Package, Future Drought Fund and National Landcare Program.

The changes to the Australian Renewable Energy Agency toolkit will now allow the agency to invest in soil carbon sequestration projects, unlocking producers' access to $1.6 billion in funding. Recent reforms will empower farmers to diversify their income and earn credits under the $2 billion Climate Solution Fund.

Producers should be treated appropriately in the supply chain. It is also important that everyone pays their share, which is why we are enforcing the mandatory industry dairy code, continuing to drive an ambitious deregulation agenda and have recently established an Australian Competition and Consumer Commission Inquiry into supply chains for perishable agricultural goods.

We are also conducting an evaluation into country of origin labelling for food, including examination of options to expand the scheme to include seafood and fresh cut-flowers.

Australian manufacturers, including the food and beverage sector, have risen to the challenge to deliver during Covid-19 and now we're unlocking their potential to deliver for our future through the Modern Manufacturing Strategy and Supply Chain Resilience Initiative.

The government is also delivering, in partnership with Australia's states and territories, a $3.5 billion program of national water infrastructure investments to improve the reliability and security of water for Australia's regions and agriculture sectors.

Reaching the $100 billion goal is impossible without innovation. We are already seeing producers work together in new ways every day, demonstrating the same ingenuity and spirit of innovation that's always been a hallmark of our agricultural sector.

The government's ambitious National Agricultural Innovation Agenda will modernise Australia's agricultural innovation system.

As part of the agenda, we are investing $86 million investment for eight Drought Resilience Adoption and Innovation Hubs and supporting Agricultural Innovation Australia to improve collaboration and commercialisation amongst and between research and development corporations. We are also providing $7.2 million to modernise the legislation that underpins our agricultural levies system.

Our producers and agricultural workforce have responded with characteristic resilience as they continue to deliver high-quality food and fibre for both domestic and international consumption.

This has seen agriculture businesses continue to operate while meeting Covid-19 social distancing and other health requirements. With the demand for labour beginning to increase as we head into the spring–summer peak, workforce planning has never been more important.

The government is continuing to address labour shortages through multiple pathways. This includes changing visa arrangements to allow Pacific seasonal workers, working holidaymakers and a range of other visa holders to continue working to maintain food security through Covid-19, and incentives for Australian workers to take up seasonal work. The first flight since the formal reopening of the Seasonal

Worker Programme arrived in Darwin on 13 October, bringing 161 workers from Vanuatu to help meet critical workforce shortages in the Northern Territory's mango industry.

Other measures to secure the future agricultural workforce include our higher education reforms to reduce the cost of agriculture-related tertiary courses and providing access to up to 400 short courses for priority fields including agriculture to upskill our workforce.

The government's Ag2030 vision supports the ingenuity and initiative of our producers and sets the foundations for the agriculture sector to reach its ambitious goal and to continue to stabilise the Australian economy.

I'm excited to back our producers as we set down this path. History tells us that farmers and industry will remain resilient and recover as quickly as possible from the effects that Covid-19 has had on supply and production. In this country, farmers eat adversity for breakfast!

The first strategy: secure our food

Joel Fitzgibbon MP

Human beings need at least three things to sustain themselves: food, water and shelter. Obviously, inhabitants of island states must either source their sustenance locally or import it by air or sea. Australia does both.

This simple equation becomes more complex in modern societies in which enablers such as fuel, medicines and transport now look more like needs than wants. Covid-19 has put a spotlight on the extent to which Australia relies on others to provide the things we consider essential but tend to take for granted.

> **More dramatically, we need to accept that we can't establish food independence without fuel independence and crop-protection independence.**

Take food, for example. Australia is the driest inhabited continent (GA 2020). Our high-quality soil resources are few, relative to our landmass. We're dependent on others for 83% of our crude oil and, as our Bass Strait reserves decline further,[1] our dependency is on the rise (Richardson 2018). Without oil, we can't manufacture petrol or diesel for our farm machinery, or for anything else for that matter. Without gas, which we seem increasingly reluctant to extract from our abundant reserves, we can't manufacture the fertilisers our farmers so heavily depend on.

We constantly boast that, as a nation of only 25 million, we produce enough food to feed around 75 million people (Annison 2020). This is a great thing because it earns us significant export income and sustains many farm businesses, but does our current capacity to produce much more food than we consume guarantee us food security, as is often suggested? The answer is probably 'Yes', but what if we're wrong? What will be the cost? The risk may be low, but the consequences of misplaced complacency could be very high.

There are at least four variables capable of challenging our food security: a hotter and drier climate, the vulnerabilities of our biosecurity defences (pests and diseases), import dependency for food-production inputs, and an increasingly uncertain geopolitical environment.

It's a great credit to Australia and our farmers that, as a country with so limited human, capital and natural resources, we've punched far above our weight in food and fibre export markets. Indeed, just as our resources sector drives our export economy today, there was a time when products such as wool drove our economic success and relative wealth. We once rode on the sheep's back.

From the 1970s, changes in international markets, emerging low-cost competition and the removal of tariffs, quotas and other industry protection challenged our agriculture sector. But productivity improvements spurred by the embrace of technology, smarter farming systems and new breeding methods provided an opportunity to secure new and larger export markets.

Unfortunately, the productivity gains of the 1980s and 1990s have since plateaued. Worse, increased food production has challenged the limits of our natural resources and ecosystems. In short, for too many years our farming methods and our quest for greater production volumes have affected the health

of our soils, their fertility and their ability to hold water. Likewise, we've asked more and more of our limited water resources and allowed excessive land clearing to destroy the very ecosystems that support food production.

Those aren't the comments of a bleeding-heart greenie (I've never been so accused). Rather, it's stating the obvious to say that there's a natural limit to the volume of agricultural product Australia has the capacity to produce. Now, climatic conditions threaten to further apply a brake on production.

Thankfully, for some time now our growers and producers have been embracing more enlightened farming practices. Low- and no-till farming and the reduced use of fertiliser, pesticides and herbicides are but two examples. Government policy has also begun to address natural resource misallocation through the implementation of market mechanisms such as water pricing. But we have a long way to go before we can claim to be close to the efficient allocation of our natural resources and the embrace of the best and most sustainable agriculture systems. Nor have we been sufficiently determined to construct environmentally responsible dams for water storage. Meanwhile, Australia's population is projected to grow by almost 40% by 2050 (Treasury 2019:5).

Last year, we imported around $20 billion worth of food (Rural Bank 2019), and imports are growing. Most Australians would be shocked to learn that up to 95% of pork sold in supermarkets is imported (Fookes 2019), along with 70% of our seafood (Department of Agriculture 2019)—in a nation 'girt by sea'—and around 25% of our dairy products (Dairy Australia 2019).[2] And there are a number of products on our supermarket shelves that aren't included in the statistician's 'imported' list but contain necessary imported ingredients.

> **Possibly the biggest wake-up call of all is the extent to which we now rely on the importation—mainly from China—of the crop-protection products our farmers need to maintain productivity and product volume. If the supply of those chemicals were cut off, our production yields would collapse.**

Yet, with Australian manufacturer Nufarm's decision to exit the Australian market due to the inability to compete with China, we're about to lose our capacity to locally produce the key active ingredients needed to manufacture the products our farmers rely upon (Thompson 2020).

For balance, it's also true that we're currently self-sufficient in many of our key staples—red meat, fresh milk and fresh fruit and vegetables—but is that self-sufficiency assured in the future?

US Defense Secretary Donald Rumsfeld once famously reminded us that there are known knowns and known unknowns, and then there are unknown unknowns. His is a useful reference because Australia's most concerning unknown unknown is the future shape and character of our region. Will the US stay so engaged? Will China's rise continue at pace, and how will it use its military and economic power? Is the possibility of our sea lanes of communication being cut so low that we should ignore it? I think not, and a strategy for greater food independence should be a post-Covid priority.

We're currently witnessing the substantial impact that a pandemic disease can have on food production. But it's not just goods. Overnight, Covid-19 cut off the imported farm labour we rely upon so heavily. Too heavily. It's a very real vulnerability that we rely on so many foreign workers to achieve current levels

of food and fibre production. In June 2019, there were 135,000 Working Holiday Maker visa-holders in Australia—many of them so-called 'backpacker' labour—but that number had fallen to 85,000 in June this year (Gailberger 2020). Australian agriculture—horticulture in particular—relies on foreign workers (Howe et al. 2019).

Biosecurity is the next vulnerability. An outbreak of African swine fever two years ago wiped out one-third of China's hog population. That's a lot of pork! Closer to home, as recently as 2017, white spot disease, which almost certainly crossed our borders in imported prawns, almost wiped out Queensland's prawn industry. A 2017 government-commissioned review of Australia's biosecurity defences identified our vulnerabilities (Craik et al. 2017); they haven't been adequately addressed.

Australian farmers have been dealing with climate change and adapting to changing environments since European settlement, but the challenges are growing and, according to our scientists, will grow greater again (Arneth et al. 2019). Responses being proposed by our community of nations may be adequate to slow the rate of change, but change for the worse is likely to be a constant. Humans are both resilient and inventive. We'll find ways to maintain output in the face of hotter and drier weather, but will we be able to do enough? Only time will tell.

Regardless, Australian policymakers will need to demonstrate more urgency in the promotion and progression of adaptation plans, more sustainable farming practices and the embrace of productivity-enhancing innovation. Our focus must not be on mitigation alone. We also need a strategy for pursuing more premium markets rather than relying so heavily on product volume into commodity markets, in which, increasingly, we're price-takers.

More dramatically, we need to accept that we can't establish food independence without fuel independence and crop-protection independence.

Fuel independence is matter for a separate essay, but it can't occur in the absence of a willingness to get more crude oil out of the ground. Gas, too, will be critical to the longevity of our food manufacturing plants.

Government must establish pathways for the retention of a capacity to manufacture crop-protection products here in Australia. Looking beyond, new energy must be directed to the biotechnologies that will leave us less dependent on chemicals over time. We should also strive to have a proportion of our food grown by organic means. Maybe a realistic target could be set?

How much will this cost and who should pay? Economic rationalism is the policy consensus in our public and private sectors, where we assume markets set prices and the profit margin is the arbiter of viability. But, arguably, food and fuel security provide good reason to consider a departure from the economic orthodoxy.

Extraordinary challenges require extraordinary thinking.

We've long paid a premium for defence platforms in order to maintain our capacity to repair and service them here in Australia. Surely the capacity to feed ourselves in times of crisis invites extraordinary thinking, too.

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Notes

1 With ongoing closures of Australian refineries, Australia is on track to be 100% reliant on imported petroleum by 2030 (Blackburn 2013).

2 Calculated as production plus imports, less exports.

Agriculture: the new national security frontier

Senator Raff Ciccone

It's early August 2020 and Victorian Premier Daniel Andrews has just finalised the arrangements for Stage 4 restrictions in Melbourne.

Daily Covid-19 cases hover between 400 and 700, sometimes more. Cases in regional Victoria are growing, and just a few days ago there were a record 15 deaths in 24 hours, one of them a person in their 30s.

Right now, it's almost surreal to think ahead. The challenges for Victorians—their future employment, shopping for the essentials, delays in the supply chain—today seem immense enough.

Yet those challenges also point ahead.

Amid the global uncertainty that has developed as a result of the Covid-19 pandemic, there's been a consideration of issues related to food security, sovereign capability and Australia's trade relationships.

The pandemic has had a devastating effect on Australia. For some, it has meant an untimely goodbye to a loved one; for others, the loss of their livelihoods or their savings. While acknowledging the sadness and hardship that so many Australians are experiencing, there's also a moment of opportunity to ensure our national security and our future prosperity.

One part of our economy where there's the greatest opportunity is agriculture.

Our agriculture industry faces three interrelated challenges: the need to facilitate the industry's growth, safeguard its long-term security and mitigate the risks of trade concentration.

As well as protecting us against the effects of a future pandemic, addressing these challenges will help secure our national economic stability, create jobs and moderate risk.

Growing agriculture

Agriculture has been part of Australia's identity and economy for many thousands of years, from the agricultural systems of Australia's First Nations' peoples to the post-settlement establishment of the wool, wheat and sugar industries.

The agricultural supply chain powers 1.6 million Australian jobs (NFF 2017). Agriculture accounts for about 2.6% of employment, 11% of our goods and services exports and 2.2% of value-added GDP (Jackson et al. 2020). In 2018–19, agriculture was a $62.2 billion industry (NFF 2018).

We're a net contributor to the global food supply chain, exporting around 70% of the total value of our agriculture, fisheries and forestry production (Jackson et al. 2020). Our producers supply high-quality premium products into lucrative markets. Our beef and wine are prized for their excellence by the world's foodies. Our merino wool is widely sought by the world's leading fashion houses. Our wheat feeds millions around the world every day.

Unfortunately, environmental conditions and less intensive R&D have caused agricultural productivity growth to slow over the past few years, according to the Department of Agriculture (Jackson et al. 2020).

There's a case to be made that growing Australia's agriculture industry could benefit our nation in numerous ways by creating jobs, contributing to research and innovation, providing more opportunities for international trade and contributing even further to our economy.

In 2017, the National Farmers' Federation (NFF) set the ambitious goal of growing Australian agriculture to a $100 billion industry by 2030. To achieve that, it identified better investment in research, technology, innovation, sustainability and growth in new markets as of particular importance.

A 2019 paper for AgriFutures echoed several of the NFF's drivers for growth, arguing for better use of data and technology and investment in R&D and pointing to off-farm investments that will be required to underpin growth (AAC 2019).

Government policy and funding will play a significant role in promoting growth in agriculture. The state and federal governments will need to help make agriculture part of the school curriculum and create pathways into further study and careers in the industry. Universities and vocational education institutions in agricultural research will need funding for new collaborations to drive the innovation that will be critical for future sustainable and efficient farming systems. The federal government has a role in helping to open up new trading markets and reduce barriers to exports, as well as ensuring that the National Broadband Network and communications technology are fit for purpose in regional Australia. A farmer can't make better use of ICT when their connection is poor or non-existent.

As a first step for agricultural growth in a post-Covid Australia, the federal government must articulate a vision and lay out a pathway for that growth. Then we must fund it, safe in the knowledge that an investment in agriculture will pay dividends for our children and grandchildren.

Securing Australian agriculture

When considering national security matters, our first thoughts invariably turn to military capability and international diplomacy. However, as the Covid-19 pandemic has demonstrated, a secure and strong agricultural industry is as much a part our national security as shipbuilding or regional deal making.

Dr Anthony Bergin highlighted national security concerns in agriculture in a paper for ASPI in 2018 (Bergin 2018). During the same year, in delivering the Sir John Crawford Memorial Address, the Secretary of the Department of Foreign Affairs and Trade, Frances Adamson, described the relationship between food production, trade and Australia's role in regional security. Adamson also pointed to the importance of a secure domestic food supply (Adamson 2018).

National security and agriculture are deeply intertwined. Their relationship includes factors related to meeting domestic nutritional needs and long-term food security, food-supply issues around the world, biosecurity matters and the need to guarantee that farmers have the resources and policy settings they need to continue producing.

There's a well-documented relationship between food supply and civil unrest—a point Adamson made in her 2018 address. While Australia has no food-supply concerns (we grow more than enough food to feed ourselves many times over), the Covid-19 pandemic has highlighted the need to arrest the decline in both

food manufacturing and manufacturing more generally to maintain our sovereign capability to meet the challenges of the future. More can be done to create new food-manufacturing opportunities and to assist current food producers to modernise.

Equally, Australia must also do more to ensure that, if similar disruptions to global supply chains occur again, we have the domestic capacity to provide our agricultural industry with the inputs it needs to continue meeting market demands. Such an effort would involve initiatives to increase our own domestic ability to produce fertilisers, crop-protection products and essential equipment—the things that farmers need on a daily basis. It will also involve ensuring that industry has access to an available labour force; this is currently a significant vulnerability for Australian agriculture and the subject of much discussion in this time of border closures and internal restrictions on movement.

Australia enjoys a highly secure domestic food supply. Our biosecurity safeguards are strong. Our position as a global food exporter helps us build deep diplomatic ties with nations near and far. However, there are risks that we must mitigate, including a variable climate and volatile commodity prices. While we export an enormous proportion of our food and fibre, we're dwarfed by bigger nations with higher outputs and by a highly competitive global trade market. Our capacity to set prices is limited (Jackson et al. 2020).

Those risks are broadly acknowledged by both the agricultural industry and policymakers, and they can in part be mitigated by growth in the sector.

Further take-up of long-term sustainable farming practices can account for climate volatility, droughts, floods and long-term changes in the environment. By strengthening our national and international approach to climate change, we can also assist producers with government partnering to achieve this.

Diversifying trade

Improving access to a wider variety of global marketplaces will help ensure the long-term future of Australia's agricultural industry.

Recent actions against Australian beef and barley exports have an impact of hundreds of millions of dollars to our economy and will cause untold damage to those producers.

Our agricultural exports are, however, concentrated in certain markets. This is noted on the Department of Agriculture's website: '17 destinations accounted for 75 per cent of Australia's agricultural exports. In 2017–18 only 13 destinations accounted for the same proportion' (Fell 2019).

That trade concentration is a risk to our agricultural industry, and through it the Australian community.

The Department of Agriculture analysed the disadvantages of trade concentration in a submission to the Joint Standing Committee on Trade and Investment Growth in February 2020, in which it acknowledged that trade concentration sharpens the consequences of a disruption in key markets (DAWE 2020).

There's a clear need to diversify our trade relationships.

Currently, the Australian Government's position (made clear in the *Agricultural Competitiveness White Paper*) is that, while government's job is to remove barriers to trade, the onus is on farmers and agribusinesses 'to decide where and how to sell their products' (DA 2015). In the White Paper, it was recognised that additional overseas agricultural counsellors were needed in established and emerging markets.

There's an opportunity here for the federal government to take the next step beyond lifting barriers and help facilitate the development of trade relationships between Australian businesses and trading partners. The government has the opportunity to play a leading role in actively introducing Australian producers to new marketplaces and also has a strategic interest in doing so. While trade delegations to the same small handful of countries may assist in growing individual penetration in those marketplaces, they're of lesser strategic value in the current environment than growing the overall extent of our trade activity.

There are challenges to diversification that should be acknowledged: distance, the location of our competitors and a need to navigate complex overseas jurisdictional issues in each country.

Further, Australia would be better placed to implement diversification strategies based on growth— a strategy that has been adopted by other developed nations. The Canadian Government, for example, has adopted a growth diversification strategy that aims to increase overall overseas exports by 50% by 2025 (GAC 2019).

For Australia, growth in trade should work hand in hand with overall growth in Australian agriculture.

For the long term

By the time this publication is released, it's my hope the Covid-19 caseload in Victoria will have subsided and that we can start the work to rebuild our community and our economy.

In his August National Press Club address, my colleague Richard Marles MP said, 'The Covid-19 crisis has placed Australia at a crossroads. It will bring about the most significant reimagining of our country since the Second World War.'

Agriculture has always been part of our national history and a source of prosperity. Growing the industry is an economically sound way to address several national security challenges, including food supply and security, international partnerships and strong and secure trade relationships.

It will also ensure that the traditions of farming and rural and regional life that have been part of our identity for thousands of years can continue well into the future.

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A critical-minerals vision for Australia's geostrategic advantage

Vince Connelly MP

Global supply chains have been rocked by Covid-19. While Australia has done comparatively well, we haven't been immune, and supplies of many imported goods have been strained.

In some cases, timely solutions were available. When we needed more face masks, resources were rapidly diverted to domestic manufacture. However, for some goods, shifting to domestic supply is much harder. We currently import 90% of our medicines (IIER 2000), and the manufacturing of complex molecules that are safe for humans can't be simply switched on and off. We need to assess our broader supply-chain risks and opportunities.

Sadly, the 21st century has already seen several incidents of trade being used as a diplomatic weapon. The pandemic has compounded geopolitical relationships that were already under pressure and the risk of trade restrictions being used as a foreign policy tool has substantially increased.

Further diversifying our export commodities and markets is essential. Supplies of imported goods are also not as secure as they once seemed, and we need to grapple with the uneasy realisation that, as well as cost, supply risk and national resilience are important considerations. Australia can and must adapt to this new reality and be prepared for future shocks. We can and must become more resilient.

To that end, as part of an inquiry into the strategic implications of Covid-19, the Parliamentary Joint Standing Committee on Foreign Affairs, Defence and Trade is considering practical measures for an effective national resilience framework that will underpin Australia's economic and strategic objectives. One of those measures, recognised as a key national priority in the Modern Manufacturing Strategy announced in the 2021 federal budget, is the full realisation of Australia's critical-minerals potential.

Critical minerals are those that are essential to the economy or national security of a country and have supply chains that are prone to disruption (US DoC 2019). Critical minerals supply risk factors include production being concentrated in one or only a few countries, which are able to manipulate prices and export quantities; a lack of suitable substitutes; and a high risk of supply disruptions due to civil unrest, environmental factors such as floods, or political interference (Schulz et al. 2017). Those risk factors mean that critical mineral markets are almost always highly volatile (Wilson 2019).

Almost all modern technology contains at least one component that requires a critical mineral. Consider our beloved smartphones. The touch screens are made of a film that contains indium, the microphones have neodymium magnets, and praseodymium, terbium, yttrium and gadolinium are used to make the vibrant colours in displays. Our national broadband network wouldn't work without the germanium that's added to the core of fibre-optic cables. As the world looks to renewable energy, it's important to note that critical minerals are vital components of those technologies. For example, magnets made of neodymium, dysprosium, samarium and praseodymium are needed in wind turbines. As dysprosium stays magnetic at high temperatures, it's used in electric cars, increasing their efficiency and range. Vehicle manufacturers are concerned about the supplies of cobalt and lithium, which are important components of batteries. The list is endless. Basically, if something is new and innovative, more efficient and better for the environment, then it contains critical minerals.

Although critical minerals are essential to modern technology, the amounts required are often minuscule; for example, an electric car requires around 100 grams of dysprosium (OzFinancial 2018). Therefore, the critical minerals trade is small compared to the trade in bulk commodities such as iron ore and gas.

Production concentration can make critical minerals a useful political weapon. An exporting country can restrict or halt supplies at relatively little cost to its own economy while inflicting significant damage to the large, value-adding manufacturing industries in importing countries (Wilson 2019).

For example, Japanese manufacturing is heavily reliant on rare-earth minerals, almost all of which are mined and processed in China. In 2010, during a dispute between Japan and China over the sovereignty of the Senkaku Islands, Beijing halted all exports of rare earths. Although China denied that the territorial dispute was the reason, that sent a clear message to Japan and the rest of the world: 'Your economies need rare earths, and only we produce them' (Wilson 2019). The WTO eventually ruled that the Chinese actions were a violation of global trade rules (WTO 2014).

In the aftermath, the US undertook an assessment of its economy and concluded that, if China or Russia were to stop exporting critical minerals for a protracted period, that would cause a significant economic shock to the US and its allies. The consequences wouldn't be limited to the economy—there are critical minerals in a wide range of modern weaponry, including missiles and radar and targeting systems (US DoC 2019).

As the world transitions to a low-carbon future, our current fleet of petrol and diesel vehicles will be replaced with electric or hydrogen models in the next 50 years. Whichever countries manufacture the billions of replacement vehicles will capture a significant slice of future economic growth.

This leads us back to the 100 grams of dysprosium in every electric car. Almost all dysprosium is currently produced in China, and that will undoubtedly result in that country either capturing more electric car manufacturing than it otherwise would or gaining leverage over other nations that come to rely on Chinese dysprosium as a critical input to their own production.

Australia has recently begun to produce rare earths on a modest scale, and we have the capacity to produce a great deal more. We need to position ourselves as a preferred supplier for highend manufacturers overseas and should also seek to benefit by shifting complex manufacturing onshore, capturing more of the value chain.

This will reduce our economic reliance on our exports of raw materials, particularly iron ore and coal, and boost domestic manufacturing. Being a reliable supplier of critical minerals will also enhance Australia's importance to our geostrategic allies.

The benefits of an Australian critical minerals sector aren't just geostrategic and economic, as there are also important humanitarian advantages. The Democratic Republic of the Congo (DRC) produces most of the world's cobalt as well significant proportions of other critical minerals, such as tantalum. While parts of the DRC are now stable, the country has a tragic history of conflict over minerals, and there are ongoing human rights abuses and slave labour, as well as corruption in the mining sector.

The US and the EU have passed conflict minerals legislation after identifying that the mining of tin, tantalum, tungsten and gold in the DRC is associated with slave labour and the financing of armed conflict (EP 2017, US DoS 2020). Any corporation seeking to eliminate conflict minerals and slavery from its supply chains will be able do that easily by buying Australian.

Mining can also leave a harmful environmental legacy that continues long after extraction is over if risks aren't managed. For example, some types of waste rock and tailings can produce acidic and metalliferous leachates that pollute ground and surface water for generations, which is why all mining projects in Australia require waste characterisation studies as part of the environmental approvals process. What's normal in Australia isn't normal in many other countries, where environmental risks are often ignored or mismanaged. Australia's entry into critical-minerals markets would result in more environmentally friendly global supply chains.

Countries around the world are waking up to the importance of critical minerals to their economic wellbeing. The US is import reliant on 31 critical minerals (US DoI 2018) and, in 2017, President Trump signed an executive order implementing a critical minerals strategy for the US (White House 2017). The EU's critical raw materials list identifies 27 critical minerals (EC 2017), India considers itself reliant on 12 (Gupta et al. 2016) and Japan on 31 (DISER-ATIC 2019).

The Australian Government also released Australia's Critical Minerals Strategy in 2019 (DISER-ATIC 2019), but ours is significantly different. While the major economies of the world are scrambling to secure their supplies, our strategy aims to position Australia as a reliable supplier. There's a growing realisation that Australia has something that the rest of the world needs—we recently signed a memorandum of understanding with India agreeing to work together to increase trade, investment and R&D in the critical-minerals sector (PMO 2020). At the same time, Australia is actively working with the US towards a joint action plan to improve the resilience and diversity of global critical-minerals supply chains (Pitt & Birmingham 2020).

Realising this immense potential isn't as simple as commissioning a new mine, especially if our long-term goal is to shift manufacturing onshore. Once mined, critical minerals are often hard to crack, refine and separate. Buyers make complex products with complicated supply chains and require highly specific products and compounds. In the medium to long term, our aim should be to shift value-adding manufacturing onshore, as most value is added after the mining and processing stages and too much of that occurs outside of Australia.

Exploration drilling is expensive, and it may be less risky to spend a dollar looking for copper or gold instead of, say, rare earths. However, the need for that to change is recognised in Australia's Critical Minerals Strategy, and the government is right to fund the R&D of innovative ways to reduce costs, such as new drilling techniques or the use of big data to better target prospective deposits.

Active trade diplomacy is also needed to develop our export potential, and the Department of Foreign Affairs and Trade's efforts in that area are beginning to bear fruit. Investors need to be encouraged to take advantage of the opportunities Australia has to offer. The Critical Minerals Facilitation Office has been set up for that purpose, and Austrade and the Export Credit Agency also assist with investment into Australia.

> **A vibrant and adaptable education sector will also play a key role. Our mines will always need skilled geologists, engineers, explosives experts and competent operators, so it's vitally important to develop and maintain an appropriate skills base in Australia.**

If we're to progress to manufacturing in Australia, our university, TAFE and apprenticeship programs must be able to meet those needs and build our processing and manufacturing know-how.

Lastly, Australia's Critical Minerals Strategy also recognises that broader infrastructure investment to better connect remote Australia to roads and ports will reduce the costs of doing business and increase the viability of projects that are in remote areas. Because processing, refining and manufacturing are energy intensive, reliable and affordable energy will improve Australia's competitiveness in these areas and help us capture more of the downstream value chain.

The blow delivered by Covid-19 has been substantial and has laid bare the shortcomings in our supply chains. Australia must meet this changed world as it is, with the confidence to make our own changes and secure our own, better future in which we can continue to prosper. We must also be able to withstand future shocks and sustain critical goods and services during disruptions in an economically changed world. Although that will undoubtedly be a challenge, Australia should also be optimistic. We can produce critical minerals to meet our own future needs as well as the rest of the world's, and that will further enhance our enormous comparative advantage in mining.

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Our national interest requires more than just headlines on critical minerals

Matt Keogh MP

As governments continue to navigate the fallout from the Covid-19 pandemic, it's becoming increasingly clear that many of the issues we're confronting aren't new. They're merely pre-existing challenges exacerbated by the current circumstances we find ourselves in.

Long before Covid-19, there was discussion about the need for Australia to diversify its export commodity offering and customer base. While this has never been about stopping what has worked extremely well for our nation to maintain a high standard of living, it's about continuing to grow the pie into the future and de-risk our high reliance on the sale of a limited number of bulk commodities to a small number of customers (the vast majority going to one in particular). Countries around the world are facing this same problem but in reverse: a growing need to use processed critical minerals, including rare earths, when nearly all of the supply is available from only one country.

Those conundrums have been intensified by the Covid-19 crisis, making it even more crucial now that as a nation we make the most of our natural advantages to not only diversify our own economy but to seize the opportunity to alleviate supply issues for others around the world at the same time.

Australia's resources sector currently contributes about 10% of Australia's GDP, amounting to over $250 billion in exports in 2018–19 (DFAT 2020). China is Australia's top export market, valued at $153 billion or 33% of Australia's total exports (Tang 2020). According to recent figures from the Department of Foreign Affairs and Trade, China currently imports $79.5 billion worth of iron ore, $13.8 billion of coal, and $16 billion of natural gas from Australia (Nally 2020).

Unfortunately, events in the lead-up to and during this pandemic have highlighted vulnerabilities in Australia's traditionally reliable trading relationships and supply chains.

This year began with plans for continued investment in liquified natural gas (LNG) export infrastructure across the world, as projected demand remained strong for years to come. But, as the coronavirus spread across the world, lockdowns aimed at halting its spread put such a dent in demand that experts predict it will take the industry years to recover. Gas prices have plummeted to historic lows, making it unprofitable for many companies to sell those cargoes that haven't already been cancelled by buyers across Asia and Europe.

The future of major planned LNG projects in the Browse Basin off the coast of Western Australia, which were expected to drive the state's economic development for decades to come, is now uncertain. Although demand for gas in Asia (mostly from China, Japan and South Korea) is expected to remain consistent until 2040, growth in developing countries is less certain. Infrastructure is an issue, as is affordability, as imported gas must compete with often less expensive domestic coal in such countries, as well as the increasing use of renewables (Flowers 2020; Seymour & Wilson 2020).

Conversely, our iron ore industry has been almost completely unaffected through this global pandemic, and demand (predominantly from China) has remained strong for Australia's most valuable export. While current economic estimates suggest that Australia can sustain iron ore production for at least another 50 years, some experts predict that demand for iron ore from China and globally will peak (and the need

for input materials with it) in the mid-2020s (McKay 2020). Further, the development of a high-grade iron ore province in the West African nation of Guinea looms as a threat to Australian miners. If China continues to develop other iron ore fields, then it will eventually secure alternative supply (DJTSI 2020). All of this puts pressure on Australian miners to find alternative export markets.

We've seen in recent months how easily once-strong export sectors can be crippled at the drop of a hat, as evidenced by China's decision to place high tariffs on Australian barley. Now our wine industry is under threat, too, after China launched an anti-dumping investigation into Australia's $1 billion export market in mid-August (Dziedzic 2020).

What these unexpected developments have in common is that they underscore the unplanned supply-chain and demand shocks that can result from unanticipated world events. Thus, we need to recognise the opportunity that this crisis has presented us to implement policy settings that future proof our economy, diversify our export markets and build our national resilience.

A key part of this is leveraging our endowment of critical minerals, which are becoming increasingly sought after for a wide range of military and technological uses, from powerful magnets to night-vision goggles, turbine blades and lasers, as well as the manufacture of different types of batteries.

Unfortunately, China's control of between 80% and 90% of the world's rare-earth mining, separation and downstream manufacturing, and the resulting lack of diversity of supply, presents a supply and strategic risk to Australia and our allies.

Global military supply-chain dependence on critical materials sourced from China will continue unless that changes.

A recent report by Perth USAsia Centre's Jeffrey Wilson argues that the market alone won't cure supply-chain vulnerabilities for many of these minerals because the business risks are too high (Seymour & Wilson 2019). 'Integrated approaches, which adopt a whole-of-value-chain perspective and promote the development of both upstream extraction and mid-stream processing, will be needed to properly secure supply', notes Wilson. To date, only the Japanese and US governments have been prepared to provide financial assistance to Australian companies seeking to overcome Chinese dependence.

In March, the Japanese Government announced plans to reduce its dependence on China for rare-earth minerals and diversify its supply chains. Japan has moved to increase its stockpiles of rare-earth minerals and will help domestic companies obtain stakes in overseas mines. It's also supporting companies to build their ability to process raw materials into valuable materials required for communications equipment and other new technologies (Abe 2020).

The US has also been on the front foot, recognising the value of Western Australia's critical minerals and the importance of controlling its own supply of these valuable elements. The US Department of Defense recently signed a historic contract with Western Australian critical minerals company Lynas to construct a heavy rare-earths separation facility in Texas. Lynas has a proven track record in the sourcing and processing of rare-earth elements and provides the only commercially viable rare-earth separation capacity outside of China.

State governments around Australia have already recognised the value in supporting this emerging sector domestically. In November 2019, the Queensland Government announced $13.8 million in funding for critical minerals to encourage new exploration, reinvestigate old mines and probe existing geological information. The Western Australian Government recently announced a $5.5 billion recovery plan, of which $66 million is going to renewable energy technologies. This is a great first step, but businesses in the sector are calling for support to make technology themselves, not just to install renewable energy systems using imported products (Chew 2020). Creating higher value-added products is the key to opening new markets, fostering more jobs and facilitating secure and sustainable economic growth (AVC 2020).

At the federal level, the Morrison government announced two rounds of research grants (in February 2019 and again in February 2020) focused on critical minerals projects through the Department of Industry's Cooperative Research Centre (CRC) projects. However, the CRC projects only support short-term, industry-led collaborative research for up to three years (AVC 2020).

In October 2019, the Morrison government also announced the much-referenced US–Australia Critical Minerals Action Plan. It has made a handful of reannouncements since, but nearly a year later we're yet to see any material developments or any concrete plans for action. The Critical Minerals Facilitation Office, created following the announcement of the action plan, has been equally ineffective. Having recently celebrated more than six months of operation, its only achievements focus on *planning* to grow the industry, with little substance to show for it.

Thus far, the Australian Government hasn't been prepared to sufficiently de-risk or provide financial assistance to dozens of companies with promising critical-mineral deposits to bring this to fruition. Now is the time to develop Australia's capabilities in critical minerals, while geopolitical tensions are high, trade is unstable and our economic future is uncertain.

Australia has the capacity to de-risk the extraction of critical minerals and enable their downstream value-adding domestically through a range of financial support mechanisms. Options open to the government include supporting new emerging projects through concessional loans, loan guarantees or public–private partnerships or even taking equity stakes in projects, which could lower the financial risks to business investment that exist under current market conditions.

Many competitors to Australia in downstream processing benefit from direct government support to undertake such activities.

An alternative approach could be to leverage government procurement policy to de-risk investments in the sector, which wouldn't necessarily require materially increased expenditure by the Australian Government. Australia has the potential to support the development of local critical-mineral processing and defence-focused specialty battery manufacture by mandating battery and source material requirements in defence equipment purchased by Australia. This could potentially remedy single-source reliance, especially for military use, and underpin the local supply, value-adding and manufacturing

industries associated with critical minerals and rare earths for civilian purposes that Australia needs to develop truly advanced manufacturing.

Supporting emerging strategic industries domestically shouldn't undermine our support for a strong rules-based global trading system. Australia is a trading nation, and our economy will continue to be powered by our high-quality exports. Relationships with key export markets such as China, Japan and Korea will continue to be important in the years to come—our regional security will depend on it.

In fact, this crisis has highlighted the importance of opening up new export markets in our region with rapidly developing countries such as Indonesia and India. The Indian Ocean is home to some of the world's busiest trade routes—half of the world's container ships, one-third of the world's bulk cargo and around two-thirds of global oil shipments pass through its waters. The Indian Ocean rim alone is home to 2.3 billion people and plays host to the full spectrum of economic diversity. Its nations will require critical minerals for different purposes, including batteries, solar panels and wind turbines as, over time, they introduce and increase their renewable energy generation—not to mention the provision of crucial minerals for defence purposes. Western Australia's and the Northern Territory's proximity to these new and established trading partners creates an opportunity to be a key regional hub for critical minerals, value-added products and related services.

Supply-chain shocks exist for many reasons, be they increases in demand not being met by supply production, disruptions to transport logistics, or suppliers that prioritise other customers' demands. We've experienced all three of those during the Covid-19 crisis.

This isn't the last global disaster we'll face, so now is the time to consider how we'll respond to the next one. It's incumbent on our state and federal governments to consider ways to minimise such dramatic shocks in the future, as our strategic circumstances become increasingly complex.

The opportunity for national industry in the national interest must be grasped to develop strategic domestic industries. We must leverage Australia's natural advantages not only to facilitate much-needed economic development but to diversify trade risk and develop sovereign capability that will better protect our country in these uncertain times.

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Securing critical supply chains

Daniel Mulino MP

The Covid-19 crisis has exposed Australia to the realisation that, for many strategically important goods and services, our supply chains have become increasingly exposed to disruption. The Australian Government should respond in four ways: immediately increase storage options for suitable strategically sensitive goods; develop bilateral agreements to improve supply resilience; proactively work with other countries to diversify production where it's currently highly concentrated; and increase self-reliance in manufacturing.

There are four key aspects to Australia's growing exposure to disruption in access to strategically important goods (an exposure that Australia shares with many other countries):

- Globalisation has led to increasing specialisation. While specialisation has boosted productivity growth, it has led to small and medium-sized economies becoming totally reliant on imports for many goods, including many that could be considered strategically important.

- Supply chains have become increasingly global. The iPhone[1] and even humble Nutella (De Backer & Miroudot 2014, Vaitheeswaran 2019) are two examples that have gained recent prominence in economic (and strategic) analysis. The OECD estimates that 70% of global trade now involves what it terms 'global value chains'. Since a global supply chain is only as strong as its weakest link, this means that access to many strategically important goods has become subject to an increasing number of risks.

- Some intermediate inputs are highly concentrated, including endowments of natural resources such as rare earths and the production of some of the key inputs used in the production of medicines. This leaves upstream producers exposed to market power.

- The production of some final goods has become highly concentrated. One example is the processing of the rare earths used in the production of lithium batteries and many renewable-energy mechanisms. This concentration has sometimes been a by-product of the productivity gains arising from specialisation, but it has left the supply of some goods vulnerable to the vicissitudes of bilateral relationships.

Each of those factors has arisen for good reason, most particularly the productivity gains arising from specialisation. However, while beneficial in many respects, recent trends in the global economy have also increased the risks associated with accessing goods in situations of global tension or unexpected disruptions, such as pandemics. This creates a trade-off between price and access that needs to be re-examined in a post-Covid world.

Classifying goods and services as 'strategically important' (or not) isn't a simple binary exercise. Rather, a number of criteria that should be taken into account in relation to each good should determine how much of a focus should be placed on it by governments: how directly it relates to core functions of government, such as the defence of the nation or the provision of health services in a pandemic; how integral it is to overall business competitiveness; how substitutable the good is; and how multipurpose the good is (does it have uses in times of non-emergency?).

Some examples of strategically important goods are food and food packaging; medical equipment (such as PPE, sanitiser and the constituent components of vaccines and medical treatments, including glass vials; chemicals; medical equipment; manufacturing equipment); 3D printers to make equipment that might be needed at short notice (such as ventilators, in the case of Covid-19, but other equipment in other situations); munitions; and fuel (oil, gas). This list includes a wide range of goods, from the relatively simple (PPE masks) through to highly sophisticated goods that Australia would struggle to manufacture in isolation (advanced 3D printers).

In order to increase Australia's resilience, there are four main levers:

1. Increase storage capacity.
2. Improve international access.
3. Proactively diversify global supply chains.
4. Increase self-reliance through enhanced domestic manufacturing capacity.

The first lever can be operationalised in the short term and can be used for goods that Australia doesn't manufacture. It's clear that many (most) countries didn't develop sufficient stockpiles of PPE and other medical equipment in the lead-up to Covid-19. This was despite the fact that there were numerous pandemics (and, specifically, coronavirus pandemics) in the two decades preceding Covid-19. Even given current supply chains, it should be a priority to start stockpiling goods of national strategic importance once the immediate health consequences of Covid-19 are being managed. Obvious examples include PPE and medical equipment.

The storage of fuel is also a matter of strategic importance. Fuel is an example of a good for which storage will require substantial investment in infrastructure. Australia recently bought a large amount of oil from the US for $94 million (Hutchens 2020). This has resulted in significant debate about the appropriate level of onshore physical storage capacity. A 2013 Aurecon report found that, if built at large scale, the capital investment costs of four options (different configurations of tank farms and permanent floating storage) were all around A$400–500 per thousand litres (Aurecon 2013). The appropriateness of increased domestic storage should be re-examined as a priority.

A related issue is Australia's refining capacity. Recent price volatility has placed Australia's four remaining oil refineries under pressure at various points in time, raising the question of whether government involvement may be necessary to secure market structure stability (Toscano 2020).

The cost–benefit trade-off of how much to invest in the storage of each type of strategically important good will need to be separately examined, taking account of the length of time the good can be stored, the infrastructure required for the stockpile, the cost of the product itself and the likely risks to access during a crisis.

The second lever is to improve international access. This could be arranged through bilateral or multilateral agreements. Access to medicines is a good example of how agreements for access to supply may be beneficial. The production of pharmaceutical products typically involves two key stages. The first is the production of active pharmaceutical ingredients (APIs), which is chemical- and capital-intensive. The second stage is a process referred to as 'formulations production' in which excipients are combined with APIs to turn a drug into consumable form. One of the key developments in the global pharmaceutical

industry in recent decades has been the shift in the production of APIs to China and India. The US, Europe and Japan produced 90% of APIs until the mid-1990s. Today, 75–80% of the APIs imported into the US are sourced from China and India (Horner 2020). In *China Rx: Exposing the risks of America's dependence on China for medicine*, Rosemary Gibson and Janardan Prasad Singh (2018) noted that the last plant manufacturing aspirin in the US closed in 2002 and the last paracetamol-manufacturing plant in Europe closed in 2008. While the fourth lever (discussed below) will be the establishment of domestic manufacturing, another avenue worth exploring is bilateral supply agreements. In early March 2020, India's Minister of Commerce and Industry announced restrictions on the export of 13 APIs. Similar restrictions from China are feasible. In the first half of 2020, a number of countries imposed export restrictions on hydroxychloroquine (including the UK). While the merits of that drug as a treatment are still being debated, the broader point is the vulnerability of access for Australia that can arise when countries around the globe are all simultaneously trying to access limited supply. Another prominent example in recent times has been Australia's exposure to the risk of not being able to access one of the Covid-19 vaccines being trialled overseas.[2]

It's worth exploring agreements that could guarantee access to key products, such as APIs. While that would potentially be beneficial, we should also acknowledge a harsh reality: such agreements will sometimes be subject to unilateral renegotiation during times of crisis.

The third lever is the diversification of supply chains. Globalisation can result in a 'price first' determination of supply. It's entirely appropriate to leave the risk versus price trade-off for imports and exports in the hands of each individual company in the economy. However, for some strategically important products, government has a role to play in actively diversifying access points. Where multiple production points exist, government should seek to consider the merits of diversifying relationships, even if that comes at a cost premium.

Where production has become highly specialised, it's worth examining the prospects of building up alternative supply options (even if in conjunction with other countries) over the medium term. A good example is rare earth elements (REEs), which are critical components in many strategically important products, including automotive catalytic converters, fluid cracking catalysts in petroleum refining, phosphors in colour television and flat panel displays (smartphones, portable DVDs and laptops), permanent magnets and rechargeable batteries for hybrid and electric vehicles, and renewable-energy devices (such as wind turbine generators). The US was once self-reliant in the production of REEs but now imports 100% of its REEs, primarily from China (Humphries 2011).

The world's four major producers of REEs are China (62%), the US (12.2%), Burma (10.3%) and Australia (9.9%) (Garside 2020). China has leveraged its strength in the production of REEs into a dominant position in many stages of the production of lithium batteries (Mining.com 2020).[3] Notwithstanding our high levels of REE exports, Australia, like most countries in the globe, is reliant on this highly concentrated supply chain.

Australia has an opportunity to leverage our substantial position in the production of REEs to engage in partnerships (such as with the US or the EU) to develop more diversified manufacturing options in at least some stages of the production of lithium batteries. Indeed, Australia could itself form part of an alternative manufacturing supply chain.

Moreover, we have significant reserves of a number of key REEs and should aim to materially increase production so as to increase our broader bargaining position.

The final lever that the Australian Government could use is to build up domestic manufacturing. Self-reliance across the entire supply chain is the ultimate form of security. For some products, such as ventilators, PPE and hand sanitiser, this has already proved possible at short notice. Other areas are worth exploring, potentially using defence procurement, including machinery, special purpose vehicles and aerospace components.

Some of this can be achieved by repurposing existing manufacturing capacity. For example, a number of distillers shifted to hand-sanitiser production at short notice. Similarly, many existing textile, clothing and footwear production facilities could quickly be repurposed for most PPE (subject to some capital investment and possibly access to elements of the plastics supply chain). And a number of medical equipment manufacturers were able to produce ventilators at short notice.

On top of repurposing existing production facilities at short notice, a higher level of local production could be encouraged by the government through subsidies to individual firms or through targeted procurement practices. This could take a number of forms, including favouring domestic suppliers when building the national stockpile and also for ongoing purchases by large public entities such as hospitals. This wouldn't invalidate a broader commitment to free trade and international integration but, rather, would recognise that non-price factors (such as reliability and resilience to international supply-chain disruptions) are valid considerations in a holistic assessment of value for money. Governments could also favour industries or firms where there's a realistic potential for creating a sustainable export market.

Even if it isn't possible to achieve self-reliance across an entire supply chain, increasing the footprint of domestic manufacturing should be examined for each key strategic product. For some products, there will be many elements. For example, the production of a vaccine will include the mass production of antigens and recombinant proteins; the production and processing of excipients (the formulation production referred to above); possibly, the production and processing of preservatives; the production and maintenance of chemical processing equipment, glass vials, packaging and storage; and the medical R&D underpinning the development of new medicines and vaccines. Australia is already at the forefront of many aspects of this supply chain, and it's worth exploring whether government should partner with stakeholders in filling any gaps. This could include large firms (such as CSL Limited), universities, manufacturers and logistics firms.

Food and food processing are other areas in which Australia has strong comparative advantages to build on. Where food production is strong, moving up the value chain to strengthen capacity in food processing and food packaging not only improves resilience but also builds potential export industries. Building a food-packaging capability could involve the production of plastics or the use of storable plastic pellets for use in 3-D printers.

One of the key considerations in determining how much Australia should focus on a particular supply chain will be how a product or service can be repurposed. For example, a sophisticated 3D printer that could be used at short notice to help manufacture a ventilator will be useful for many purposes and will benefit the broader economy other than in times of emergency.

> **The Australian Government should undertake a detailed audit of what manufacturing, logistics, chemical processing and energy capacity and intellectual property would be needed to achieve more self-reliance in relation to key strategic goods and services.**

To the extent that this requires greater onshore capacities in any of those areas, the government should determine which policy tools are most appropriate. Those tools should then be used through a whole-of-government process with clearly defined key performance indicators.

The Covid-19 pandemic has highlighted some risks arising from globalisation, economic integration and specialisation. Those broader global trends have produced massive benefits—but there are often trade-offs in which the gains from specialisation and integration can also increase reliance and risk, particularly for small and medium-sized economies. It's worth re-examining those trade-offs, particularly in parts of the economy that affect core government functions such as national defence and the provision of key social services during a crisis.

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Defence industry rises to the challenge

Hon Melissa Price MP

Because Australia is reliant on international trade, the global impact of the Covid-19 pandemic has shown us vulnerabilities within international supply chains, causing slowdowns and disruption.

The work of the defence industry and Defence's own procurement and sustainment of military platforms hasn't been immune.

> **This investment and renewed focus on sovereign capability provide new opportunities for Australia's defence industry.**

Australia's defence industry features about 4,000 businesses employing some 30,000 people. Those businesses, in turn, are supported by an additional 11,000 Australian companies. When downstream suppliers are considered, early analysis shows that the Morrison government's investment in defence capability benefits some 70,000 workers.

We expect that number to keep growing.

In the early days of the pandemic, our government recognised the need to explore new ways to support local, medium-sized and large businesses throughout this crisis.

It was vital that money continued to flow to Australian businesses and workers—including those in the defence industry—to keep the wheels of the economy turning.

Indeed, a healthy and vibrant defence industry is a core component of Australia's recovery from the financial impacts of the pandemic, and we've consciously shifted gears to enhance opportunities for businesses across Australia.

To respond to a rapidly evolving situation with wide-reaching impacts on Australia's health and economy, our government and the Defence organisation have made support to the economy and defence industry a key line of effort in our internal and external response to Covid-19.

An independent sovereign industrial capability

Supporting an independent sovereign industrial capability has remained a key focus throughout the pandemic and will continue long after life returns to something close to normality.

I'm proud that Defence—especially the Capability Acquisition and Sustainment Group and the Defence Industry Division—have responded and responded well.

A dedicated Industry Support Cell was formed within the COVID-19 Taskforce. It has provided tailored support and guidance on financial and contract support to the sector, particularly for small and medium-sized enterprises (SMEs).

Moreover, by late August, Defence had accelerated the payment of more than $11 billion of invoices to help businesses pay their suppliers and keep Australians in work.

Defence has undertaken the early approval of $870 million in estate and infrastructure works to ensure more consistent workflow, demonstrating the value we place on continuing to support SMEs.

Along with the Minister for Defence, Linda Reynolds, I've regularly engaged with defence industry representatives and chief executives to ensure that Defence remains responsive to the unique challenges faced by industry.

The Morrison government recently announced a $1 billion Defence economic recovery package, which brings forward investment initiatives to support Australia's economy and defence industry over the 2020–21 and 2021–22 financial years.

The initiatives will centre on continued delivery of defence capability, the ongoing early payment of invoices, and improving sovereign industrial capabilities to deliver critical supplies.

Crucially, I've worked with the Department of Finance to update the guidance to the Commonwealth Procurement Rules, providing federal departments and agencies with additional flexibility when assessing value for money in contract proposals.

Those changes provide more opportunities for Australia's defence industry sector, particularly to navigate the constraints of Covid-19.

Thanks to our investments and significant opportunities, Australia now has a much more diversified defence industry, and Australian businesses have shown significant adaptability, resilience and ingenuity.

Australian industry has proven its mettle in a crisis

Without question, the resolve of local industry to step up has been critical to enable Defence and our ADF personnel to continue to undertake exercises and operations domestically and overseas.

There are a host of examples of industry stepping up to meet this challenge.

For example, SME Sydney City Marine recognised that to reliably support Defence it would need to ensure its own business continuity. It split its team into two shifts, conducted professional workplace disinfecting between shifts and used PPE where social distancing wasn't possible. Those actions enabled Sydney City Marine to increase maintenance on Navy vessels from 40% to 70% of its business, corresponding with an increase in demand—a great outcome for industry and Defence.

Melbourne-based business Tectonica Australia is another success story. In the midst of the pandemic, Tectonica secured international contracts to design, develop and manufacture BANTAM data and power distribution systems for the German Army. It also secured a $25-million contract to provide camera technology in the Australian Army's Boxer armoured vehicles, furthering Defence's ability to enhance safety for its personnel.

Ipswich-based TAE Aerospace completed the first routine maintenance on Australia's F-35A engine fan module in July—the first time this type of engine work has been completed outside the US. This completion of that complex task clearly shows that the government's long-term investment in Defence is delivering local capability and is a significant new step for TAE Aerospace and the wider defence industry.

In April, the Defence Science and Technology Group worked with family-owned South Australian company Axiom Precision Manufacturing to mass-produce face shields for frontline healthcare staff. Defence Science and Technology led the design and evaluation stages of the project, gaining feedback from hospitals on prototypes, then transferred the design to Axiom to manufacture.

The face-shield design was approved by the Therapeutic Goods Administration and moved to mass production. Axiom is able to produce 1,000 components a day, which significantly improves Australia's capacity to protect the healthcare staff on the front line of the pandemic response.

Axiom has worked with Defence on other projects and is one of several businesses from the government's submarine and surface ship programs' torpedo countermeasures project to rapidly pivot to meet Australia's needs during the pandemic.

Defence and the Morrison government have provided support and advice throughout this period, assisting critical SMEs and larger enterprises to navigate the complex travel restrictions in place to protect our communities.

The Industry Support Cell created support lines direct to the defence industry and worked with other federal and state departments to tailor support to our industrial capability.

In March, Defence personnel went to the aid of Med-Con, a Victorian-based company and Australia's only surgical mask manufacturer, to meet the urgent demand for this simple but critical piece of PPE. Engineering maintenance specialists from the Army Logistic Training Centre and the Joint Logistics Unit helped repair and maintain a key piece of equipment in Med-Con's Shepparton plant. With the ADF's support, Med-Con moved to 24/7 operations, resulting in face-mask production increasing from an output of 2 million to 200 million units per year. The ADF's assistance was facilitated under the Defence Assistance to the Civil Community arrangements.

In July, I visited the facilities of Electro Optic Systems in Canberra to announce accelerated plans to buy more than 250 remote weapon systems for the Australian designed and manufactured Bushmaster and Hawkei protected mobility vehicles.

This investment provides job stability and security for the more than 200 workers directly involved in engineering and support, which then has a flow-on effect in supply chains by supporting workers and their families.

Building resilience

2020 has presented many challenges to the Australian people, from drought to devastating bushfires and now the Covid-19 pandemic, but we Aussies are a resilient lot. We need to continue to look to the future and plan for what comes next.

We released the 2020 Defence Strategic Update and the 2020 Force Structure Plan in July.

In these key documents, the Morrison Government and Defence have placed a renewed focus on our industrial capability, which at its core is the defence industry.

In the first instance, this has manifested in a need to produce the health equipment, supplies and support to respond to the pandemic.

Over the longer term, the pandemic has highlighted the potential vulnerability of global supply chains in providing critical defence supplies and equipment.

> **Funding has been allocated for exploring the development of sovereign manufacturing capabilities for advanced guided weapons and explosive ordnance and expanding the ADF's fuel storage capacity.**

This investment and renewed focus on sovereign capability provide new opportunities for Australia's defence industry.

This is my mission, and I invite you to join me. Take advantage of the significant opportunities that the Morrison government is providing and the assistance available.

Throughout the Covid-19 crisis, I've been extremely proud of the way Defence and the defence industry have been working together to support each other and our fellow Australians.

Together, let's show the world how innovative and versatile Australia's defence industry can be and how important it is to our long-term economic recovery.

Technology, and rethinking Australia's approach to tech supply chains

Tim Watts MP

The Covid-19 pandemic has bent time in disconcerting ways. Australians stuck in public health lockdowns have seen their daily domestic routines obliterated and the days, weeks and months melt into each other in a way that's made it easy to lose track of time. The disruption caused by the pandemic has also quickened the arrival of 'the future', accelerating pre-existing trends shaping the role of technology in society. Lockdowns have driven more people to remote working, learning and service delivery in the past six months than in the past 20 years. The global tensions that have accompanied the pandemic have similarly accelerated longstanding trends in the way nations engage with the security and strategic challenges posed by technological innovation. While the pandemic has spread, we've seen nations around the world take a series of actions that have exacerbated what's become known as 'internet balkanisation'—the government-led separation of national technology ecosystems. The changes have

> A growing number of policymakers are arguing for the adoption of an Australian strategic industrial policy in critical technology sectors to position Australian companies to fill supply chain gaps created by security regulations at home and abroad.

major economic and strategic implications for the potential shape of Australia's post-pandemic recovery. So far, however, instead of trying to shape our own future in this new world, the Australian Government has been largely content to be a spectator to these changes and their implications for Australia.

Twenty years ago, getting onto the internet was a broadly similar experience whether you were logging on from Sydney, Shanghai, St Petersburg or San Francisco. People around the world used a common set of hardware and software, and national governments, uncertain how to exercise sovereignty over a seemingly global domain, struggled to legislate and enforce laws for their citizens' use of the internet at the nation-state level.

Slowly but surely, governments wised up. The philosophy of 'internet sovereignty' (Tiezzi 2014)—the idea that global internet governance should enable states to control the internet within their borders for their own ends—gained increased traction in international forums. Multilateral technology standards development organisations became sites of intense strategic competition in pursuit of that end (Schwartz 2020).[1] Twenty years later, we've seen a new model of national internet governance emerge: 'digital authoritarianism' (Weiss 2020), through which governments employ a combination of regulation and the direct use of technology to exercise control over their citizens.

This trend towards digital authoritarianism has been progressing gradually over the past two decades, but it has notably accelerated as states (Zha 2020) have responded to Covid-19 (Christopher 2020), and the pandemic has brought a new raft of data localisation (Basu 2020), surveillance and censorship laws (Dickinson 2019), as well as government-directed regional internet shutdowns (Schultz & Yasir 2020).

In the most extreme manifestation of this trend, the Russian Government has been running a series of technical trials to fully disconnect the Russian internet from the rest of the globe (Newman 2020).

This growing government control of the domestic use of the internet has been accompanied by increasing concerns about the potential for governments to use the internet to pursue their strategic interests internationally. This has increasingly led some states to exclude nations with different approaches to the internet from their technology supply chains, most notably China and the US. As strategic tensions have grown during the Covid-19 pandemic, so too has momentum for this technological decoupling.

The most striking example of this in recent times has been the US Government's Clean Network strategy (US DoS 2020). Released in August 2020, the strategy seeks to pursue data privacy and security objectives through the exclusion of 'authoritarian malign actors' from the US technology stack. It proclaims six 'cleans' in pursuit of that objective—clean carrier, clean apps, clean store, clean cloud, clean cable and clean path. It's a comprehensive push for technology decoupling between the US and authoritarian states.

We're already a long way from the global online 'village' of the turn of the century. Users in different countries now log onto the internet using different sets of apps, built on different technology stacks and governed by very different national laws. The Covid-19 pandemic has significantly accelerated this divergence, and there are significant implications for Australia.

These trends pose real challenges for Australia in the post-Covid-19 period.

From an economic perspective, as an open trading nation, Australia has benefited from increasing global integration. Separated technology stacks will add significant complexity for Australian businesses engaged in international trade in services and for consumer-facing businesses. In the most extreme cases, it may make exporting in some sectors, to some nations, impossible. Navigating these difficult currents in the national interest will require increasing dexterity from Australian decision-makers.

From a security perspective, in an era in which nations' strategic and security interests are increasingly being played out on technology platforms, we urgently need to harden up our own national cyber resilience (Keneally & Watts 2020), building strategically important sovereign capabilities (Shah 2020) throughout the nation to ensure that we're able to protect ourselves from the growing threats in the cyber domain that are accompanying these trends.

At the same time, this new environment also presents opportunities for Australia during the post-Covid-19 recovery period as technology supply chains reconfigure themselves against these trends. When nations make decisions to exclude operators from specific countries on security or strategic grounds, gaps

emerge in supply chains and technology stacks. There's no reason that Australian firms shouldn't fill them—except for our lack of ambition.

A growing number of policymakers are arguing for the adoption of an Australian strategic industrial policy in critical technology sectors to position Australian companies to fill supply chain gaps created by security regulations at home and abroad (Forscey & Lin 2020).

Australia should be evaluating its R&D, government procurement, defence spending, higher education and industry policies now with an eye to developing a new *strategic technology industry policy* designed to ensure that we realise the full economic growth and employment potential of this new technology environment during the Covid-19 recovery. We should also seek out opportunities for Australia to drive the development of such a policy jointly with our alliance partners (Doubleday 2019, Fisher 2020).

Doing that effectively will force us to make choices about where we focus to prioritise our efforts. Too many of Australia's current R&D programs are too diffuse in their application. By spreading investment too thin, they fail to develop the scale necessary to build sectoral clusters, let alone industries. By trying to support everything, they end up supporting nothing.

So, where to focus our efforts? Australia is unlikely to be able to compete with countries such as South Korea and Taiwan in component or network equipment manufacturing, but we already have a number of world-class companies providing high-end technology security products in technology niches, such as Sapien's OT Security monitoring, Red Piranha's threat management platform and Senetas's post-quantum cryptography (Senetas 2020). Building on those success stories would be a good starting point. Investment in high-skill technology niches could also be expected to have positive spillovers for a range of adjacent industries (software/app development, data analytics, video games etc.) that could be considered in other policy initiatives.

But that won't happen without government leadership.

So far, there's little sign from the current government of any ambition to grasp this opportunity. Initiatives for the development of the domestic industry are completely absent from the Australian Cyber Security Strategy 2020 (a notable difference from the 2016 strategy). Similarly, there's little urgency about scaling up investment in technological innovation in the 2020 Defence Strategic Update.

As the Covid-19 pandemic approaches its first anniversary, it's easy to get caught up in 'doom scrolling' (Watercutter 2020), losing hours while consuming never ending news feeds on the health and economic consequences of the greatest disruption of our times. But, eventually, the pandemic will end and the daily live blogs will stop. We need to be acting now to prepare ourselves for the reconstruction period. The post-Covid-19 world will be different in many ways, but in the technology space, the future is now.

We've got no time to waste.

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It matters that we make things

Senator the Hon Kim Carr

There will be no 'return to normal' when the Covid-19 pandemic eventually recedes from Australia, if by a return to normal is meant restoring everything just as it was before the pandemic began.

This is because the chief lesson of the pandemic has been that ways of thinking that dominated public policymaking during the past three decades are no longer tenable.

The pandemic has comprehensively demonstrated the failure of neoliberal economics.

Since the mid-1980s, neoliberalism has been the creed of those who think that the nation's prosperity depends on deregulation and privatisation.

The idea was that Australians should concentrate on doing what the neoliberals thought we do best: exporting commodities to the rest of the world, rather than value-adding to raw materials ourselves.

It was a vision of Australia as essentially a farm, a quarry and a beach, but not a place where people make things.

This was never an uncontested view—the government in which I served as Minister for Innovation, Industry, Science and Research took a very different approach—but at most times, and certainly since the change of government in 2013, it's been the dominant view.

One consequence of taking this view seriously was that, when Covid-19 began to spread, Australians found that initially the nation couldn't produce enough personal protective equipment for healthcare workers or enough ventilators for the intensive care units in our hospitals.

The Prime Minister and the Industry and Science Minister conceded that Australia needs a thriving manufacturing sector if we're to avoid such a crisis again, and in their tentative comments the already teetering edifice of neoliberalism came tumbling down.

They had implicitly accepted that manufacturing is indispensable in a modern, complex economy, and that government must actively ensure that manufacturing capabilities are retained and grown.

Building a strong manufacturing sector, however, is not only a matter of making sure there are businesses able to make final products for consumers.

The crisis has been a reminder that some kinds of manufacturing, such as steel, aluminium, cement, chemicals and plastics, are strategically vital because they produce the materials that other manufacturers require to make their own products.

And, because those heavy industries are big energy consumers, the question of how to revive manufacturing can't be separated from the question of how to provide reliable supplies of affordable energy while also meeting our international obligations on climate change.

It's only by building sovereign capabilities in manufacturing that we can diversify Australia's economic base and thereby reduce our exposure to the impact of global downturns and our excessive dependence on certain markets, most notably China.

That includes building sovereign capabilities in defence manufacturing. If most of our acquisitions of military equipment are off-the-shelf purchases from other countries, and if we're reliant on offshore manufacturers to sustain those defence assets, it makes the ADF dangerously vulnerable to decisions that might be made a long way from Australia.

Even worse, the lack of a sovereign defence industry severely limits our capacity to act with any degree of independence in the conduct of foreign policy—to pursue our own national interest, rather than forever dangling between the conflicting interests of a principal strategic ally and a principal trading partner, both of which are global superpowers.

To acknowledge that Australia's economy is excessively dependent on trade with China, and that we must diversify our productive capabilities and our export markets, is not, however, to seek the radical decoupling from China that has become a familiar rhetorical demand of cold-war warriors here and in the US.

Those who make that call seem not to grasp that it courts disaster: according to Australian Bureau of Statistics figures, China's share of Australian exports rose from 35% in February 2020 to 46% in June. You don't simply walk away from that.

Decouplers also rarely acknowledge that the transformations driving China's global assertiveness are a reaction to more than a century of humiliation at the hands of hostile powers that imposed unequal treaties.

Those transformations will continue regardless of what we think of China's authoritarian political system, and their most potent expression isn't the militarisation of the South China Sea, disturbing though that might be.

It's to be found in *Made in China 2025*—the plan, now at its halfway mark, that's restructuring the Chinese economy. China is moving rapidly away from being chiefly a producer of low-cost goods for mass markets to a new industrial base characterised by hi-tech advanced manufacturing.

Part of that process has been a massive investment in education and research. Investment in R&D has increased by 400%, and China's universities have risen sharply in global rankings.

Ten years ago, China had only one institution among the top 25 in the Leiden ranking, which evaluates the scientific performance of universities. Today there are 13 (Leiden University 2020). China is no longer a consumer of knowledge discovered by others; it's a global leader in the discovery of knowledge.

The challenge for a country such as Australia is to find its own opportunities in this transformation, and the opportunities won't arise if we shun all research collaboration and treat every Chinese academic in this country as a potential fifth columnist.

No one denies that we should maintain strict safeguards against any transfer of knowledge from Australia that could put national security at risk, and we do have such safeguards in the Defence Trade Controls Act and other measures.

Decoupling, however, would simply put Australia at a disadvantage and drag us further into the contest for technological supremacy between the US and China that underlies what's sometimes misleadingly called their 'trade war'.

Building sovereign capabilities in Australian manufacturing doesn't mean shunning international trade any more than it means refraining from international research collaboration.

On the contrary, since two-thirds of the world's merchandise trade is in manufactured goods, expanding our manufacturing sector also means increasing trade opportunities.

Support for a rules-based international order has long been bipartisan policy in Australia, but the rules-based order is under strain because of the increasing tendency of major nations such as China, the US, Russia and India to act unilaterally.

In this environment, international agencies such as the World Trade Organization (WTO) will have more, not less, importance for Australia.

We can't expect to exert influence if we're seen merely as followers, and it's in Australia's interest to seek to persuade China that it, too, will gain from active participation in the WTO.

All of this will depend in large part on our ability to expand our own capabilities in advanced manufacturing.

According to the Reserve Bank's quarterly bulletins, manufacturing accounts for about 7% of Australia's total output and employment—about 730,000 jobs. That's less than half the sector's contribution three decades ago and significantly below that of manufacturing in other comparable economies.

In Germany, Japan and Switzerland, manufacturing employs about 16% of the workforce, and Canada, with an economy similar to ours, has about 1.7 million manufacturing workers (Wilson & Poirier 2019).

Australia stands out in the developed world for having allowed its manufacturing sector to decline, even while technological changes dependent on manufacturing expertise are transforming the world and the way we work. That's the reality we face.

Investment, both public and private, in manufacturing is an investment in Australia's future because it increases economic complexity—the capacity to produce unique goods and services.

Economic complexity is the most important predictor of long-term economic growth, and on that measure Australia is lagging.

Harvard University's *Atlas of complexity* ranks national economies according to their degree of complexity. In the 2018 edition of the atlas, Australia was placed 87th in the world for complexity, down from 55th in 1995 (CID 2018). That puts us below Guatemala, Mali and Uganda.

The reality is that Australia's growth rate was already low, and slowing, before Covid-19 reached our shores. The pandemic's contribution has been to force us to confront the reasons for that.

Although we instinctively compare ourselves with other OECD nations rather than developing nations such as Uganda, Australia ranks last among the 36 OECD nations for manufacturing self-sufficiency (McIlroy 2020).

According to a report prepared for the Australian Manufacturing Workers' Union by the Australia Institute's Centre for Future Work, Australians use $560 billion worth of manufactured goods each year but produce only $380 billion worth (Stanford 2020).

Other high-wage OECD economies such as Germany and Sweden produce a much higher proportion of their net manufacturing needs (Stanford 2020). That fact exposes as myths two beliefs long cherished by Australia's neoliberals: that developed economies don't need manufacturing, and that manufacturers in high-wage economies can't compete with those in low-wage economies.

The first of those beliefs is simply false, because Australia and other wealthy countries are increasing the number of manufactured goods they buy and use, and the global output of manufactures is increasing. This isn't a 'post-industrial' world.

The success of industrial economies such as Germany and Sweden demonstrates that manufacturing doesn't have to depend on selling cheaply produced goods to a mass market to survive. Hi-tech, advanced manufacturing sells on quality, while also generating high-wage, skilled and secure jobs.

More than 85% of manufacturing jobs in Australia are full time, and workers who have those jobs typically earn above-average wages (Stanford 2020). Increasing manufacturing's share of the workforce is the best way of countering the trend to insecure, casual work, which, as the pandemic has dramatically revealed, condemns so many to a precarious livelihood.

There will be no way for Australia to build a stronger economy and society after the pandemic unless it has governments that commit themselves to revitalising the manufacturing sector, to planning accordingly and to allocating the necessary resources, not only to industry but also to education, science and research.

Diversifying the economic base through an expansion of advanced manufacturing will require collaboration by all those sectors.

It's no small task, but we know it's possible because there's a precedent for it.

The Curtin government established the Department of Post-War Reconstruction in December 1942, when the fall of Singapore was still a fresh and bitter memory and the end of the Pacific War wasn't in sight.

At the time, some thought that talk of reconstruction was a foolish distraction from the task of winning the war, but the work carried out by that department laid the foundations of postwar economic recovery, including a strong and growing manufacturing sector. It can be done again.

That post-Covid reconstruction will require collaboration between industry and researchers in the universities and public agencies such as the CSIRO highlights another characteristic of manufacturing.

As the manufacturing sector expands, it not only creates direct jobs but supports jobs in other sectors as well, because of its long and complex supply chains.

The Centre for Future Work's report estimates that, if Australia were to emulate Germany and Sweden and match its annual output and purchase of manufactured goods, that would boost GDP by $50 billion, adding 400,000 direct jobs and 265,000 indirectly (Stanford 2020).

Even more importantly, a strong manufacturing sector stimulates innovation. Despite its depleted state in recent years, the sector continues to be the most innovation-intensive in the economy.

All the world's leading innovation nations have strong manufacturing bases, and Australian manufacturers spend more than four times the national average on R&D.

If the Morrison government has a post-pandemic vision that goes beyond building a bigger stockpile of PPE, it should do everything possible to increase collaboration between industry and researchers.

It could start by introducing a premium rate of the Research and Development Tax Incentive – the most important measure integrating the taxation and innovation systems – for collaboration.

Fixing the vexed problem of there being no secure basis for the funding of research in universities is a further step. Universities have cross-subsidised research from international student fees, but the loss of much of that revenue as the pandemic dramatically cut overseas arrivals is another reminder that the pre-Covid 'normal' is no longer acceptable.

But, in doing so, we can't shut the world out. In the world that emerges from Covid-19, Australia must be ready to take advantage of the opportunities that present themselves.

We won't do that if we remain only a farm, a quarry and a beach.

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Procurement: priorities, partnership and programming—
no future in past practice

Senator the Hon David Fawcett

> Ask not what opportunities our country should provide to Australian industry—ask what our country needs from Australian industry to be a free, resilient, first-world nation.

Covid-19 has brought supply-chain integrity into stark focus and led to wide-ranging discussions about resilience. The pandemic has exposed vulnerabilities in 'business as usual' commercial practices, which often rely on products or components that are imported 'just in time' to meet the need of a consumer. For many retail consumer items, delays in supply are an inconvenience but not of great consequence for the individual or the nation. For some items, however, a disruption in supply can undermine Australia's ability to function as a first world nation.

The pandemic has also highlighted that national self-interest has dictated the behaviour of governments under pressure, rather than the global norms and agreements that have underpinned cooperation between governments over recent decades. Those behaviours led to decisions by supplier nations to ban the export of critical products (because of national self-interest) as well as predatory and competitive purchasing practices by some consumer nations. Coupled with supply shortfalls due to manufacturing workforce quarantine restrictions, the global impact to supplies of critical products and components to both governments and the private sector has been significant.

These actions and outcomes lead to three key questions:

1. Which critical supply chains can no longer be entrusted to free-market, just-in-time replenishment?
2. How do we support those critical supply chains to generate a sustainable and scalable domestic capability?
3. What do we need to change in our approach to procurement to achieve that?

Beyond sectors closely associated with the Covid-19 pandemic, such as health (for example, PPE), the same questions are valid for sectors in which government has large, long-term acquisition programs, such as defence and space. This expands consideration of supply-chain disruptions to include the consequences of regional—or even global—conflict.

Answering those three questions is a particular challenge for government, which over several decades has operated on the assumption that the market will provide what it needs when needed and that global competition will deliver the best value for the taxpayer dollar. Unlike the private sector, which has very clear performance indicators, such as profit and loss—which will drive rapid analysis of supply-chain failures and the implementation of the changes required to improve resilience—government lacks similarly effective triggers for analysis and is less agile in responding when a need does become apparent.

A critical Australian National Audit Office report or poor media coverage may be politically uncomfortable, but it's hardly ever an urgent driver of fundamental and timely change. In contrast, the 2020 Defence Strategic Update should be a trigger for the defence sector. It highlighted the deterioration in Australia's regional security and recognised that Australia now has a reduced period of notice to be ready to deter and effectively respond to military threats.

This preparedness requirement means that our military capability must be:

- available (serviceable) when it's needed (including the ability to sustain ongoing operations)
- effective against the evolving threats faced by the ADF.

The 2015 First Principles Review stressed that achieving that our level of preparedness depends on an effective engagement by government with industry, defining for the first time that some parts of industry are a 'fundamental input to [military] capability' (DoD 2015).

The 2016 Defence Industry Policy Statement (DIPS) further stressed that the priority for engagement should be ensuring that Australia has those industrial capabilities and the workforce needed to help guarantee the ADF's independence of action:

> There are some capabilities that are so important to Australian Defence missions that they must be developed or supported by Australian industry because overseas sources do not provide the required security or assurances we need. As such, it is critical that the industry base associated with these capabilities is maintained and supported by Defence as sovereign industrial capabilities. (DoD 2016:23)

For our military systems to be available and effective regardless of the actions of other nations, we need as a matter of urgency to answer those three key questions regarding resilience. Yet, four years after the approval of DIPS, Defence still hasn't fully answered Question 1 (what are our critical priorities, which DIPS called sovereign industry capabilities). Without detail about those priorities, support to industry has largely been on the basis of one-off grants to a wide range of companies, as opposed to effectively sustaining and growing the subset that operate in areas deemed critical (Question 2). It has also made reform of the Commonwealth Procurement Rules and agency policies problematic due to the absence of a recognised 'value' that the government is seeking through its procurement programs (Question 3).

The same is true of the space sector. As the information domain is increasingly contested (using electronic and, potentially, kinetic means), the national interest is likely to benefit from a sovereign capability to launch a low-cost, short-term intelligence, surveillance and reconnaissance (ISR) payload into low-Earth orbit in response to an unexpected threat. Even if Australia's emerging space industry can create the ISR payload, unless we can be assured that an international provider will supply a suitable satellite bus and launch capability at short notice, we don't really have a resilient sovereign capability. In the absence of recognised priority capabilities, Defence, the national intelligence community and agencies such as Geoscience Australia don't have a reason to coordinate their procurement of space products and services so as to help develop Australia's sovereign resilience to use space for our national interests.

Having discussed the problem space, I now consider what a whole-of-government response would look like.

Strategic requirements for national resilience

Whether considering PPE for health, satellites for the Office of National Intelligence, crop-protection products for agriculture, JETA-1 fuel for the aviation sector or submarine capabilities for Defence, Australia needs to develop an assessment framework to identify those specific industrial capabilities and supply chains that are critical to making decisions in the best interests of the nation, independently of the actions of others.

Without such a framework, government has no consistent basis for assessing when it's prudent (or essential) to generate or sustain an Australian industry capability, which in some circumstances may require initially accepting a higher cost or risk profile.

The 2018 government inquiry into liquid fuel security is an example of an attempt to analyse supply-chain vulnerability. The 2016 DIPS mandates another approach relating to the defence industry.[1] Both are well intentioned but poorly implemented.

To borrow from the systems engineering world, we need competent people to conduct an analysis of all the ways things are likely to fail in a system[2]—including the supply chain that underpins the ability to manufacture, maintain or upgrade—and then assess which failures will critically affect the outcomes we care about.

Only then can we make informed, risk-based decisions about how to increase our resilience to crises. This isn't a task solely for departmental officials. It requires direction by technically competent practitioners (that is, people who have relevant qualifications and task-specific experience), such as systems engineers from the separate industry sectors.

Partnerships

While the relationship between Defence and industry has improved considerably since the 2012 Senate report into defence procurement (SSCFADT 2012), the broader federal government procurement system still lacks a framework that encourages partnership (as opposed to competition) as a driver of value for money. Partnership is important in several key areas:

- **Industry**. Once critical industry sectors (and occasionally even individual companies) have been identified as a priority for support, the government needs to move beyond the well-worn approach of one-off grants to encourage innovation or enable a capability demonstration. Only procurement contracts provide the confidence and cash flow for companies to invest in people, processes, infrastructure and R&D to improve and sustain the competence and capacity the nation needs. Good contractual models used by the UK Ministry of Defence in shipbuilding and complex weapons procurement ensure value for money and efficiency as well as long-term effectiveness. In other areas, such as liquid fuels, concepts such as the universal service obligation performance agreement in telecommunications could be extended to manufacturers and distributors, in addition to measures such as supporting innovation in processing alternative feedstock to help ensure adequate resilience across the supply of petrol, diesel and aviation fuels.

- **Other Australian entities**. Some critical capabilities may have a primary association with one particular department, which might not represent total demand. For example, it might not be viable to sustain the Australian manufacturing capability—established during Covid—based solely on demand from the federal Health Department to replenish the national medical stockpile. There are other entities, such as the Department of Foreign Affairs and Trade, the Defence organisation, state governments, many private health providers and industry sectors, however, who also need PPE and in some instances benefit from the stockpile. The aggregation of that demand could enable offtake agreements of a scale that makes domestic production sustainable and competitive.

  Using the satellite example: an analysis of the critical capabilities required could lead to a priority to establish and sustain an Australian satellite manufacture and launch capability. That would require

multiple departments to then view procurement as a program—to jointly support the phased generation of domestic capability over an agreed time frame—as opposed to simply focusing on the cheapest and quickest way to complete their own siloed projects.

- **Like-minded nations**. Despite the nationalistic behaviour of foreign governments during the pandemic, it's inevitable that Australia will continue to rely on international providers for some critical products and components. This has three key implications for Australia:

  - Nationalistic responses are now a demonstrated risk that must be factored in when evaluating the probability of supply-chain-failure modes, particularly if some nations may even use supply chains as a coercive measure in times of tension or conflict.

  - Carefully structured agreements with like-minded nations are needed to ensure that the mutual benefit of achieving shared interests outweighs the short-term advantage a foreign government might seek in response to domestic political pressure or other global priorities (such as when the partner is involved in multiple theatres of conflict).

  - We must proactively identify and invest in areas of natural strength for Australia that contribute to trusted supply chains with like-minded nations for economic benefit but also to assist in achieving shared goals (such as the critical-minerals agreement with the US).

Procurement policy and programming

The Commonwealth Procurement Rules (CPRs) and subordinate departmental policies and accountable authority instructions must be amended to recognise that to 'generate or sustain an identified critical capability' is a priority when evaluating value for money.

Currently, paragraphs 4.4–4.7 of the CPRs outline criteria such as being fit for purpose, quality and whole-of-life costs and underline those considerations with an overriding focus on competition (Department of Finance 2019). Finance officials point to paragraph 4.7 (broader economic benefit) to claim that there's a basis for consideration of other factors, but this has proved to be inadequate.

For example, the Defence Policy for Industry Participation (DPIP 2019), cites the CPRs and provides examples of broader economic benefit in paragraph 2.9 that go to issues such as providing employment, but makes no mention of generating or sustaining critical (sovereign) industry capabilities. The absence of a 'head of power' in the CPRs has resulted in paragraph 1.11 of the policy stating that 'Defence will not preference Australian industry. The focus is on maximising opportunities to compete for work' (DoD 2019).

The CPRs must be amended to include a new subparagraph after 4.5b dealing with assessing value for money to the effect that:

> c. the extent to which the proposal contributes to the generation or sustainment of an approved critical (sovereign) industry capability.

Authorities should also consider how programming or phasing of a procurement activity can assist with the generation or sustainment of a critical capability. The increased return on investment and decreased risk and life-cycle cost that underpin Australia's continuous shipbuilding program should be expanded to other sectors with strategically important supply chains or capabilities.

Conclusion

> **Past Australian Government procurement practice—based on assumptions about the efficiency and reliability of a competitive market operating within a global order governed by accepted norms of behaviour—has proven inadequate as a basis for the future resilience of Australia's critical systems.**

Despite the dictates of the CPRs, the current federal approach to procurement can't be relied on to deliver value for money in critical areas when under stress.

If we ask the three key questions above, and effectively implement outcomes from the subsequent analysis, Australia will be more resilient and capable of independent action to respond to threats or crises. Partnering with industry to generate and sustain the key industry sectors our nation needs generates domestic supply chains that will lead to more innovative and competitive companies capable of competing for and winning work in non-critical sectors, both locally and through export.

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Notes

1   The framework is intended to apply strategy, capability and resource lenses to what the ADF needs to be able to do to defend the nation and assess areas of critical dependence on the Australian defence industry to achieve it.

2   A failure mode effects criticality analysis is a structured approach to analysing the component elements and interfaces within a system, the possible modes of failure and their impacts on the system's intended performance.

Preventing intellectual property theft and protecting Australian manufacturing

Melissa McIntosh MP

As the global coronavirus pandemic sharpens our focus on Australian manufacturing and the jobs of the future, we must ensure that checks and balances are in place so the hardworking manufacturers in my region of western Sydney and right across our nation aren't cheated out of the game by global intellectual property (IP) theft.

There are many factors that are going to determine how successful we'll be in rebooting Australian manufacturing. One of the more understated of them as we lift our game on manufacturing, and advanced manufacturing in particular, is how we protect the IP of Australian businesses through good policymaking, without stunting innovation, growth and capability. In order to develop effective IP policies unique to our country's post-coronavirus experience, we also need to have a clear view of the current state of play.

Global research on IP theft is telling us there's a problem, yet, in Australia, we can't see how big it is. Whether the theft's through illegal acquisition and reproduction of a company's physical product, counterfeiting a brand or cyber theft, the size of the problem of IP infringement, and the financial and reputational impact, aren't effectively measured and reported. In effect, we just don't know.

The last report into criminal prosecutions related to IP theft released by the Australian Institute of Criminology was published more than a decade ago (AIC 2008), and it's difficult to find comprehensive information across all jurisdictions on how many perpetrators of IP theft are taken to court.

There's also inconsistent frequency and depth of reporting by the Australian Border Force on product seizures and notices of objections at our borders. The latest readily available, publicly released figures on counterfeit goods seized were published in 2014-15 (Australian Customs and Border Protection Service 2015).

Finally, reporting of the cost of IP theft to businesses in Australia is fragmented. The Australian Criminal Intelligence Commission links it in with other illicit commodities, while the Australian Institute of Criminology makes estimates across various industries. There's no reliable and consistent industry-led calculation of the cost and financial impact that reveals the true extent of the challenge.

First, with a gap in data of this size, and the potential risk for Australian businesses so great, now is the time for an Australian Government–led review into the extent of IP theft in Australia, with collaboration from business, industry, research institutions and state governments. Here, the question must be asked: are we even collecting the right information for the time? Second, we need to reform IP infringement reporting requirements so that we have consistent and regular data.

Those two activities are essential in developing a framework for more cohesive IP policies, and to provide enhanced protections for products that are Australian made, which will increase in number as we rebalance our focus on more local manufacturing.

Businesses and consumers are getting behind the Aussie Made brand with renewed vigour. Public trust in the golden kangaroo marking Australian-made products is at record highs. Roy Morgan research found

that 97% of Australians associate the iconic logo with supporting local jobs, while associations with safe and high-quality products reached 95% (Roy Morgan 2020). Businesses are responding by capitalising on this groundswell of community support: monthly applications for the Australian Made licence are up 400% since January (Australian Made 2020).

As consumer demand for Australian-made products increases and more manufacturers emerge, so too will the expectation that their IP is protected in order to prevent foreign-based companies undermining the integrity of the Australian Made reputation and eroding trust in our high-quality products.

However, we can't expect to safeguard emerging Australian manufacturers when we aren't providing the level of protection required for the established local businesses confronting these challenges each day.

One western Sydney manufacturer not only experienced IP theft of its product, but its whole brand, when a Chinese-based company successfully passed off a counterfeit product as one of the Australian manufacturer's products. It wasn't until the counterfeit product was found to be faulty and the Australian manufacturer was contacted to fix the issue that anyone was alerted to the infringement. It's not only the cost of lost business, but the cost of brand damage when IP theft takes place, that inhibits Australian manufacturers from challenging the competition.

That manufacturer is not alone. Across western Sydney, I speak to local manufacturers who have seen entire catalogues passed off and reprinted by foreign competitors the moment they hit the shelves. To understand the challenges facing manufacturing in Australia, we must speak with and listen to the manufacturers confronting these challenges on the ground.

That's why I've joined with local manufacturers and representatives in industry and education to form the Western Sydney Advancing Manufacturing Taskforce. The taskforce will investigate opportunities to leverage our advantages and break down the barriers holding back local manufacturers by gathering first-hand accounts of challenges facing Australian manufacturing that may be unjustly portrayed by domestic reporting structures. The taskforce has already shown a glimpse into the challenge of IP theft facing manufacturers in western Sydney and across Australia.

Global data trends support the taskforce's first-hand accounts, showing that IP theft is significantly on the rise, and that the cost to countries is in the hundreds of billions. The OECD's 2019 Trends in trade in counterfeit and pirated goods report states that, in 2016, 3.3% of world trade was in fake goods, up from 2.5% in 2013, and the global cost was US$509 billion (OECD 2019).

The OECD report also found that the highest numbers of counterfeit shipments being seized were from China, which exported 47% of the fake goods traded worldwide in 2016 at a value of US$239 billion. Of the fake goods traded globally, 35% were electrical machinery and electronics.

If international reports are showing that it's happening globally, there can be little doubt that it's happening here in Australia. You just have to speak with the local manufacturers, who are telling us their backs are against the wall. We've now entered a world where we must not only listen to their concerns but address those concerns seriously.

The picture of IP infringement in Australia is like a thousand-piece puzzle. The very first move in bringing all the pieces together is getting the data right, if we're to have any chance of protecting Australian businesses and Australian jobs from foreign theft, as we enter a new era of manufacturing.

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Prosperity post-pandemic

Funding our future

John Alexander OAM MP

If there's a word of the year for 2020, it would undoubtedly be 'unprecedented'. Over the first six months, it's been used to the point of cliché—unprecedented drought, unprecedented fires, unprecedented destruction—all before we hit this unprecedented virus and unprecedented recession. But the rains have come, the fires have been put out and the towns are being rebuilt. While it seems a long way away at the time of writing, the virus will one day be defeated. But we'll be left with one thing that won't go away so soon—unprecedented debt.

If the 1990s gave us the recession we had to have, in some sense this is a recession we chose to have. Our economy was growing strongly before the coronavirus came (indeed, house prices at the end of 2019 looked like they were growing too strongly, but that's a different issue), and it was the decisions made by politicians to shut down our communities that had the inevitable effect of restricting growth and bringing on this recession.

This isn't something to complain about. Covid-19 is a horrifically contagious disease, and the shutdowns and restrictions have been essential to restrict its spread. And, while we have seen a second wave, we're much healthier than other parts of the OECD. The shutdown has undoubtedly saved lives, but at a great cost to people and the country.

One day, I hope soon, we'll have a vaccine, and we'll have no community spread. Businesses will reopen, people will gather again, and we'll take stock of the task ahead of us. But, as the creator of this economic crisis, government has a responsibility to steer our way out of it.

The measures we've taken so far have secured livelihoods and helped support people. JobKeeper has been essential in keeping people in jobs, and JobSeeker has kept people out of poverty while they looked for work. Other programs have aimed at helping specific sectors in need, from construction to the arts. In rebuilding, we need a broader vision—the economic and cultural reset that's going on across Australia is the perfect opportunity to go bold and design an Australia that will allow future generations to grow and thrive for the next century and beyond.

For all the use of the word 'unprecedented', the Australian Government has been here before, albeit not to the same degree. Back in 2013, the Coalition returned to government with promises to bring Labor's profligate budget under control. But we also had an ambitious infrastructure agenda that included multibillion-dollar plans to build inland rail and Western Sydney Airport and improve highways across Australia. Then, as now, we had an acute need for infrastructure but little money to pay for it.

At that time, I was appointed Chair of the Sustainable Cities Taskforce, which was set up to find solutions to this problem. With the words of Andrew Robb in mind ('We will never again go into debt to fund infrastructure projects'), I was asked to look widely, with an open mind and no bias, for the world's best practice in funding infrastructure.

At the time, the NSW Government was still building the North West Metro through my electorate. This world-class train line would soon be zipping people into the CBD on trains that can arrive every two minutes. It would be a game-changer for Sydney's public transport and, predictably, real-estate prices rose in the proximity of stations as people vied to get close to the action.

Along the train line in Castle Hill, something interesting was happening. House prices were going up, but not by a third, or by half. Prices were going up five, ten, twenty times. People with fibro houses on small blocks were walking away with millions in their pockets. Smart groups of residents started pooling their houses together to sell on to developers. One such group pooled their houses to sell on for $360 million (Creer 2016).

No one begrudges the home owner who makes a bit of profit from their family home that happens to be near a station. But, at the point of rebranding your home as a development potential for the Meritons and Stocklands of this world, you cease to be a home seller and become a speculator. As a home owner, you avoid capital gains tax, but as an investor, you don't.

Furthermore, the super profits of these investors came from money provided by taxpayers across the state. The money that paid for the line came equally from the people of Castle Hill and Wollongong. The people of Castle Hill got super rich, but on the same investment the people of Wollongong didn't get a cent.

Is there a way that we can capture this uplift in prices in order to pay for the infrastructure, so that people selling their homes still get a tidy sum, but the taxpayer also gets a fair return on their investment? A way that's fair to everyone: taxpayer, resident, developer, government?

These were the findings and recommendations that we had back in 2013, solidified over the course of two parliamentary inquiries by the Standing Committee on Infrastructure, Transport and Cities, which I chaired. In two reports titled *Harnessing value, delivering infrastructure* and *Building up & moving out,* experts declared that the massive forgoing of revenue in the northwest rail construction should never be allowed to happen again. The remedy would be a 'value capture' model, and one that could be implemented urgently, before future large-scale infrastructure projects proceeded (SCITC 2016, 2018).

Yet, as the committee was pointing out the loopholes that needed urgent attention, 'deals' were being signed for our next big infrastructure project: Western Sydney Airport. Some big, well-connected families had been buying up land in the area for decades, speculating on land prices that were sure to skyrocket when the airport was finally signed off. And skyrocket they did. One speculator is said to have turned his $3.5 million into a $500 million windfall (McClymont 2017), and the profits of the Perich land by the airport is now well known.

Officials went to the landowners and asked what they could do for the government if a new station were to be placed near their land, and were impressed with the results. One colleague and value-capture sceptic approached me with glee: 'You were right, this value capture is great! We offered one landowner a train station on their land and he's offered to put $2 million towards a sporting ground!' No kidding! There can't be many people who wouldn't offer up $2 million for a sports field if they got to walk away with $498 million in profit and no questions asked. That we should be proud of this deal boggles the mind.

Whether we're concerned about the concept of deals between governments and developers who may be donors, the inequity of the deals that have been struck, or the huge volumes of federal taxpayer funds that have been spent without a fair return for their money, it's quite clear that something concerning is going on.

But I digress. The real question is: how do we fund expensive infrastructure fairly?

There are many concepts of value capture. They include:

* developer contributions, including 'Section 94s' (levies under that section of the NSW *Environmental Planning and Assessment Act 1979*)
* betterment levies, which are generally charged broadly across local government areas as extra levies
* tax increment financing of various types.

I prefer a more direct method in which the beneficiary, upon their property sale, pays an extra levy once the price has more than doubled, rising in incremental bands like income tax. This method is fairer to all parties and is harder for canny speculators to dodge.

Hypothetically, let's say we have a value-capture model that captures nothing for owner-occupiers at the first doubling of the property's value and goes up incrementally after that (non-occupiers don't get this brief reprieve). A model could work along the following lines. When a property's value rises by 2–5 times due to rezoning or new infrastructure, capital gains tax is paid (at approximately 30%) and should be contributed to the cost of that infrastructure. A 5–10 times increase leads to a 50% contribution, and super profits of an over 10 times uplift lead to a 90% contribution for the remainder. For a house worth $1 million before infrastructure goes in, the lucky home owner would receive $2 million if it doubled, $4.1 million if it went up 5 times, $6.6 million if it went up 10 times, and $10.6 million if it went up 50 times (see Table 1)— all for a house that would otherwise have been sold for $1 million, were it not for taxpayer-funded infrastructure. This certainly beats the idea of 'fair market value' currently used in compulsory acquisitions and is like winning the lottery for families forced to move. And, of course, if your house's value goes up without the impact of new infrastructure or zoning, you keep every cent.

Table 1: Potential increase and contributions for a house valued at $1 million before infrastructure is approved

House sells for	$2.0 million	$5.0 million	$10.0 million	$50.0 million	$100.0 million
Contribution (%)	0%	30%	50%	90%	90%
Amount the home owner receives	$2.0 million	$4.1 million	$6.6 million	$10.6 million	$15.6 million
Amount the government receives	$0	$0.9 million	$3.4 million	$39.4 million	$84.4 million

Opponents generally raise two concerns.

First, people question how we know what growth in value is attributable to infrastructure developments versus the general growth in house prices, and how we know what the house was worth before the infrastructure is implemented. This seems disingenuous to me—real estate agents, council inspectors, banks and groups such as CoreLogic map individual property prices all the time. This isn't rocket science.

Second, the issue of perception. Could this be painted as a tax on the family home? Perhaps it could be spun that way by political operatives, but if your house's value doesn't rise, or rises without input from government interventions, you don't pay a cent.

However, the more important answer to this charge goes to the basis of our tax regime. Our tax system is built on a beneficiary-pays basis. You benefit from a high salary? You pay more tax. But if you earn less, you pay less. You buy a car? You pay GST. You don't buy a car? You don't get that benefit and you don't pay tax on that. Yet currently, if you benefit lucratively from taxpayer-funded local infrastructure, you don't pay any more for it than someone on the far side of the state, who will never see any benefit from that infrastructure.

If we finance large-scale infrastructure through a value-capture model like the one described here, we'll change the lens through which we see ourselves building our future. Recent budgets and elections have focused on small-scale infrastructure—an upgraded intersection here, a new train station there. Infrastructure like that is great for gaining local support before elections, but it's piecemeal, *ad hoc* and short term. With the possible exception of the Inland Rail, no government has committed to large-scale multi-state infrastructure for decades. Our aversion to the vox-pop cliché 'nation-building' has expanded to an aversion to the infrastructure that 'nation-building' describes.

Which brings me back to the purpose of this chapter.

> **We need a national plan of settlement. We need connecting infrastructure between our settlement centres and our job hubs. We need to decentralise and power our regions. In short, we need a vision.**

With funding models like value capture, we can fund high-speed rail lines up and down the east coast. We can build fast rail and transport corridors to bring cities such as Geelong, Newcastle and Wollongong into the commuter belt for our major cities, fuelling decentralisation and creating dynamic regional hubs where families will want to live. We can take the funds previously reserved for infrastructure to bolster our health and education budgets and turn Australia into an educational powerhouse. We can build east–west freight lines to complement the inland rail and locate freight airports at strategic places such as Parkes to take Australian produce and manufacturing to the world. In rebuilding our settlement, we can instil it with new ideals of sustainability, environmentalism and an eye to an exciting future.

Fair and sustainable funding of infrastructure releases our federal budget from its shackles and allows for a visionary plan for Australia to take shape. The Covid-19 pandemic may have us down in the dumps now, but, with this vision and plan, we can spark a new boom in national growth and optimism. Despite all the misery of this pandemic, we've been handed an opportunity to spark our national growth and set the country on a path to prosperity.

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Infrastructure

Catherine King MP

This crisis has once again reminded us why infrastructure is so important to our economy and to the functioning of our society. Throughout the Covid-19 pandemic, our ports have kept operating, our transport and logistics infrastructure has kept moving, our buses and trains have kept running, construction workers have kept building, our airlines and airports have done everything they can to keep planes in the sky, and Australians have moved about by foot and bicycle in record numbers. Our nation's high-quality and resilient infrastructure has allowed essential workers to travel, medicines and other goods to be imported and delivered to our communities, our exports to reach the world and Australians to maintain some semblance of normality.

It's increasingly clear that, just as infrastructure has kept us going throughout this crisis, it will play a critical role in seeing us out of it.

Recessions are always brutal. More than a million Australians are out of work, their plans changing before their eyes (ABS 2020). Financial stress and the pressure it brings hurt individuals, families and communities. Through the hard lessons of past recessions, we know that governments must act to limit the pain, to stop the damage and to regrow the economy.

Experience tells us that one way to escape from recessions is to invest in infrastructure, in ways that provide immediate economic stimulus, but that also lay the foundation for future wealth generation.

Even before this crisis we were facing challenges. Our pre-Covid economy was in the doldrums with disappointing growth, stagnant wages growth and sluggish productivity (RBA 2020). In response, on at least 20 occasions, the Governor of the Reserve Bank of Australia called for infrastructure funding to be increased, pointing to both record low interest rates and the need to boost aggregate demand and support future productivity.

Without substantial investment in infrastructure, Infrastructure Australia was predicting that road congestion costs to our major cities would more than double over the next decade, while public transport would become ever more crowded. Infrastructure Australia found that, without investment, the cost that congestion inflicted on our economy would reach almost $40 billion by 2031 (IA 2019).

Unfortunately, before Covid the federal government wasn't investing enough. While the 2019–20 Budget did include an increase in total spending, 1.37% of total expenditure going towards infrastructure was still below the decade average of 1.46% (IPA 2019). Over the forward estimates, that would see almost $2 billion less infrastructure investment in Australia than the long-term average (IPA 2019).

Australia needs to invest more in infrastructure, but, so far, we've been investing less. Instead of articulating a plan for productive infrastructure across the nation, the government continues to play catch-up through so-called stimulus packages and projects selected with short-term political objectives as the main priority.

Not only is this lack of a plan for strategic investment hampering our economy, but it's exacerbating inequality. Poorer Australians on average are spending longer in their cars, and that's growing at a faster rate than it is for wealthier Australians. Commuters in outer Melbourne spend 79 hours each year stuck in traffic, while 48% of a commute from outer Sydney is spent the same way (IPA 2019).

Before Covid-19, all indicators pointed to a future in which Australians were less productive and spent less time at home with their families. After Covid, we must ensure that things are different.

We've heard a lot over recent months about how pandemics and recessions are turning points, as our economy and society are thrown up into the air and new ways of working emerge.

While the ultimate impacts on our lives will be seen over the longer term, there's abundant anecdotal evidence that the experience of working from home—and the success that it's been for many of us—have led Australians to reconsider where they base their lives.

Free from being tied to big office towers in the capital cities, Australians might no longer rush to work in peak hour; they might spend some of their working week in the home office, and some might even relocate to the regions. As we move out of the pandemic, governments at all levels will have to be aware of and responsive to the changes that have happened in our economy and society.

That means that there will need to be more consideration of the types of infrastructure we build. Australia's infrastructure networks today are largely built to get commuters into the centres of the cities in the morning and return them home to the suburbs in the evening. If the use of our cities changes, our infrastructure will need to follow suit. The investments that offered the greatest benefits in the past mightn't be the same in the post-Covid environment, and governments will need to be awake to those changes.

Regardless of the ultimate outcome, this crisis presents a rare opportunity to reset and break the inertia and misplaced priorities that have defined infrastructure funding over recent election cycles, while at the same time building a more resilient, more productive and more livable Australia.

The most exciting elements of any infrastructure plan are of course the big projects that connect regions and cities.

When it comes to those big infrastructure needs, Australia needs a renewed determination to invest in nation-building infrastructure, whether that's getting on with planning for high-speed rail down the east coast, fixing inland rail, stronger investment in public transport, or fast rail and roads linking our regions to the cities or our regions to each other.

While the Morrison government has agreed to co-fund a number of those types of projects, the reality before Covid was that most of that money was many years away. That wasn't good enough then, and it's certainly not good enough now. While such 'announceables' may be good during election campaigns, they do nothing to advance Australia's productive infrastructure.

Take fast rail to Geelong, for example. That project has the potential to shift the relationship between Victoria's two major cities. Rail patronage along the Geelong line has already increased 97% since 2012–13 (Victorian Government 2020). Thousands of Victorians are choosing to live in Geelong and work in Melbourne, and, even if Covid changes our living and working patterns, people will always want to move between Victoria's biggest cities. The only thing holding this back is an increasingly overcrowded train line. Of course, that's the problem that fast rail is designed to fix—it will get people to work and home more quickly and in greater numbers. However, under current plans it won't be completed any time soon, as the funding commitment is spread over 10 years and most of the funding falls beyond the forward estimates.

Projects like this are good ideas that are needed now—not a decade down the line.

When it comes to large projects like this, we already have a significant pipeline, thanks to Infrastructure Australia's priority list.

Infrastructure Australia was created by Labor but has been allowed to wither under this government. It must be returned to its position as the key infrastructure advisory body, making decisions that stretch across the political cycle. A strong, trusted Infrastructure Australia would take much of the politics out of infrastructure funding by determining projects determined on need and their potential impact rather than the political interests of the government of the day.

At the same time as advancing nation-building projects, governments at all levels should now be investing in smaller, community-based projects that build resilience into communities and assist in generating wealth into the future. We have to be strategic about it: by expanding investments in affordable housing, improving local telecommunications infrastructure, improving the quality of our tourism product, funding regional airport upgrades, enhancing water security for remote towns or improving rural fire stations, we can also create long-lasting community assets. There are thousands of projects around the country that could be funded and get underway quickly. They need to be funded across every community not just the 'lucky' few, as we saw with the Morrison government's now infamous 'sports rorts' program (ANAO 2020).

Those projects, like all projects at this time, should be funded and designed with jobs in mind.

We should ensure that the infrastructure we build now creates new jobs and trains as many young Australians as possible. At every point in the supply chain, the creation of Australian jobs must be a key consideration.

Through this crisis, we've been reminded of the fundamental role and power of government. This year, Labor led the calls for the government to introduce and then extend wage subsidies, support people on welfare and increase business support.

If we're to have the strongest recovery possible, governments across Australia must continue to invest in infrastructure projects that create jobs, improve our communities and deliver a stronger, more resilient and more productive economy on the other side of this crisis.

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Participation and productivity

The Hon Kevin Andrews MP

Covid-19 has had a significant adverse impact on the Australian economy. Businesses have been weakened and lost, unemployment has risen, and growth has fallen. The pandemic has accelerated pre-existing trends that already required attention if future prosperity and national security were to be maintained.

In 2002, the Australian Government published the *Intergenerational report*, which sought to explain the challenges confronting the nation over the following 40 years. Subsequent reports have been released, updating the trends and projections contained in the original document. The reports identified three areas of concern: population, productivity and participation. That summarised the challenges of an ageing population, declining productivity and inadequate participation in the economic activity of the nation. Those challenges are significant. They have not been addressed adequately.

In this chapter, I examine two of those issues in the light of Covid-19: participation and productivity.

Participation

Encouraging more people to participate in the economic life of our country is critical. As our nation ages and workforce growth contracts over the next two decades, our push to increase participation in the workforce will be a crucial ingredient in ensuring Australia's ongoing economic growth. The principal object of reform, therefore, should be to encourage and assist more and more people to contribute and participate positively.

Consider the trends. The number of people aged 65-plus is expected to increase from 3.4 million in 2016 to 6.5 million in 2040 (ABS, various years). The fastest growing cohort is people aged 80-plus. While the number aged 18 or under will grow more slowly, and decrease as a proportion of the population, overall dependency will increase. It's projected that the ratio of dependent people who aren't of working age to those of working age will increase from 52% in 2016 to 62.4% in 2040. Even those figures underestimate the extent of total dependency. Most 15–18-year-olds are dependants. Another 1.5 million people were in receipt of unemployment benefits or the Disability Support Pension before Covid.

The ageing of the population will have profound impacts on our standard of living if not addressed. Consider the cost to the budget of the pension if the numbers double. It's estimated that 71% of people over 65 are currently in receipt of the pension, including 41% at the full rate. While the pension age will gradually increase as a consequence of legislative change, the pension represents an increasing burden on the Commonwealth.

Following the publication of the McClure report, *A new system for better employment and social outcomes*, the Australian Government directed funding to the implementation of an investment approach to participation (McClure et al. 2015). Based on the successful New Zealand model, targeted interventions can be designed to encourage a person onto a path to training, a job and prosperity, rather than a trajectory to worklessness and welfare. That approach needs to be accelerated and implemented. It can apply to a variety of policies, ranging from welfare and housing through to immigration and settlement.

The profound and rapid change to employment itself compounds the urgency of raising participation. The changes are already occurring. Since 1986, the proportion of the workforce that's unskilled has fallen from 13.5% to 9.9%. The professional occupations' share of total employment has increased from 15% to 23.5%, while technicians' and trade workers' share of total employment has fallen from 18.4% to 14%.

More than 5 million Australian jobs (about 40%) face a high risk of being computerised or automated by 2030. Robotics, autonomous vehicles, 3D printing and other new technologies are already displacing jobs. A recent study found that nearly half of current job tasks could be automated using already demonstrated technology. The risk is that many non-routine jobs that survive technological change will be polarised between 'low-skill for low-pay' and 'high-skill for high pay'. Although Australia's workplace relations system and high minimum wages counter the impact being experienced elsewhere, pressures will mount in coming decades.

Our education system will need to adjust to those changes. Nearly 60% of Australian students, including 70% in vocational education and training, are currently studying or training for occupations in which at least two-thirds of the jobs will be automated. The Committee for Economic Development of Australia has urged a move from narrow competency-based training to a job cluster focus, enabling the teaching of a broader set of competency and transferable skills (CEDA 2015). Many more workers, whether employed by others or working for themselves, will require the next generation of digital skills.

Well prior to Covid-19, the World Economic Forum *Future of jobs* report concluded:

> We face a world where new categories of jobs will emerge, partly or wholly displacing others. The skill sets required in both old and new occupations will change in most industries and transform how and where people work. It may also affect female and male workers differently and transform the dynamics of the industry gender gap.

> The question, then, is how business, government and individuals will react to these developments. To prevent a worst-case scenario—technological change accompanied by talent shortages, mass unemployment and growing inequality—reskilling and upskilling of today's workers will be critical.

> It is simply not possible to weather the current technological revolution by waiting for the next generation's workforce to become better prepared. Instead it is critical that businesses take an active role in supporting their current workforces through re-training, that individuals take a proactive approach to their own lifelong learning and that governments create the enabling environment, rapidly and creatively, to assist these efforts. (WEF 2016)

Covid-19 has compounded the pre-existing challenges. The official unemployment rate is expected to rise to 10%, and the real rate will be closer to 15%. How to ignite a stagnating economy is critical. Some businesses won't survive, others will be trimmed down, and many jobs will be lost. Much trade and tourism will continue to lag. Many retail businesses on the edge will have been pushed off the cliff. Working from home and videoconferencing will become more commonplace.

Following the Great Depression and World War II, the Australian Government declared that full employment was its primary aim. That aspiration needs to be proclaimed again in the current situation in which many are unemployed and the nature of work is rapidly changing.

Productivity

Raising our productivity is one of the most important, yet least appreciated, issues facing Australia today. Productivity is all about our standard of living. It's about our level of income, our purchasing power internationally, and our ability to afford the best education, health care and security possible.

Providing for an increasing standard of living is reliant on productivity growth. The disconnect between public scepticism about productivity and the causes of national prosperity needs to be addressed.

There are many occasions when policies are motivated by other considerations. The need for leisure, rest and recreation counters the idea of working for prolonged hours. The care of children or elderly parents must be balanced against employment and business. The benefits of employment for the unskilled are a significant national objective, even if robotic efficiency would achieve equal economic outcomes.

Consideration of other objectives shouldn't diminish our concern to raise productivity. First, most of the things we desire depend on our national income. As Michael Porter has observed:

> High productivity not only supports high levels of income but allows citizens the option of choosing more leisure instead of longer working hours. It also creates the national income that is taxed to pay for public services which again boosts the standard of living. The capacity to be highly productive also allows a nation's firms to meet stringent social standards which improve the standard of living, such as in health and safety, equal opportunity and environmental impact. (Porter 1991)

In other words, the very things that mark the difference between prosperous and third world nations, such as the levels of poverty, education, health care, the state of the environment and opportunities to engage in recreational and artistic pursuits, are dependent on past productivity gains. It's why the former Governor of the Reserve Bank of Australia, Glenn Stevens, asserted that productivity is 'the only real basis for optimism about future income' (Stevens 2009).

Without growth in productivity over the past century, Australians wouldn't enjoy the standard of living they do today. Just as the standard of living we enjoy today has been built on past productivity growth, the standard of living Australians will enjoy in the future is dependent on current productivity improvements.

While the internationally recognised measure of productivity, GDP per capita, isn't perfect, it does provide a consistent and universal means of assessing the ability of a country to produce or acquire the goods and services it desires. Dividing the total production of a nation by the number of people living in it provides a good indication of whether living standards are increasing or decreasing. As the OECD has observed, higher GDP per capita tends to correlate with higher social and environmental living standards as well as higher incomes. It also provides a comparison between nations (OECD, various years).

Achieving a rising standard of living depends on maintaining an increasing level of productivity. It will be crucial in addressing major challenges facing Australia, including the ageing of the population.

Productivity through the 1960s and early 70s was high, but Australia's productivity began to fall from the early 1970s. For a decade and a half, it lagged, falling below the long-term average in the mid to late 1980s.

More worryingly, Australia's average GDP per capita had been falling in comparison to the OECD average for four decades.

It was widespread concern about those trends that propelled the major economic reforms of the Hawke–Keating and Howard governments in the 1980s and 90s, but productivity in the developed world has stalled since 2004. Australia's high living standards aren't about to fall rapidly, but we face 'an inexorable slowing towards reduced opportunity, greater dispute over shares of a smaller than expected pie, and selective protection' (PC 2016).

As the Productivity Commission has indicated:

> Just as persistent borrowing by government may burden the future, so failure to develop the policies most relevant to future higher productivity—and its outcome, higher income—will burden future generations with the eventual adjustment costs. We saw this last in the 1980s.

> Complacency is not a sound policy option. Aside from the productivity collapse itself, the fiscal and labour market effects of population ageing, the potentially sweeping structural changes in labour markets following digital disruption and climate change impacts are all challenges to a slow growing economy. If nothing changes, achieving people's expectations will prove increasingly difficult and the costs of this may be measured not just in incomes, but in alterations to quality of life. (PC 2016)

Covid-19 has compounded those trends. The standard of living and quality of life of the next generation of Australians are at stake. Proposals to increase productivity, such as simplifying our workplace relations framework, require immediate attention.

An aspiration for full employment and high productivity should underpin the national response to Covid-19. Unless we achieve those goals, we'll be unable to maintain our standards of living and fulfil the primary role of government to ensure national security in an increasingly uncertain world.

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Holiday at home: charting a path to recovery

Senator the Hon Don Farrell

One of the best aspects of my job as Labor's Shadow Minister for Tourism is meeting with tourism businesses and employees.

Over the past year, I've met with hundreds of tourism operators across the country, from Kangaroo Island, in my home state of South Australia, to Perth, Cairns, Melbourne and the Northern Territory. I've met with people in coffee shops, in orchards and vineyards, in shop fronts and in some of the most stunning and authentic corners of this beautiful country—I've even held a baby crocodile!

What always strikes me about these meetings is the passion with which the owners and operators talk about their industry. They're hardworking, dedicated and excited to show what they do and share what they love with visitors.

So, when I consider Covid-19 and its impact on the future of our tourism industry, it's these businesses and workers that are front of mind.

I think of the industry representatives I met in Darwin who spoke of the tyranny of distance and the impact of infrastructure delays in Kakadu.

I think of the operators in Cairns and most of northern Australia who have missed their peak season and are facing 18 months without income.

I think of those Indigenous operators in places like Broome and central Australia who showcase our rich and unique First Nations cultures, while facing the dual challenges of isolation and restricted movement, together with high vulnerability during this pandemic.

And I think of those small family businesses in places like the Blue Mountains and the South Coast that were damaged by last summer's bushfires and had only started to recover when Covid hit.

Overwhelmingly, I think of the uncertainty facing those businesses and the people they employ. I think of the owners across this country trying to work out how to stay afloat in the endless storm that's Covid-19.

> **The tourism industry is a staple of the Australian economy. It contributes more than $100 billion to our GDP and employs more than 1 million Australians. It also sustains some 300,000 businesses across Australia, most of which are small businesses employing fewer than five people.**

At the end of last year, Australia reached a record of $152.4 billion spent by international and domestic tourists.

Then came Covid-19, which completely halted international and domestic travel and cast doubt about the future of this vital industry in Australia.

It was late January when the first ripples began in the Australian tourism industry, as China ceased group travel (Smith 2020).

That was followed by our own bans on international arrivals in February, beginning with China—our largest international market—which were estimated to cost the Australian tourism industry $1 billion for every month they were in place (Ludlow & Carruthers 2020).

Of course, that was all but eclipsed by the necessary shutdowns and domestic border closures we witnessed in March.

Our international market was the first to feel the shockwaves of Covid-19, as overseas arrivals decreased by 60.3% in March. That was the largest decrease on record, according to the Australian Bureau of Statistics (ABS 2020a).

The overall drop saw our international market lose $3.9 billion in the March quarter (TRA 2020a). In the same period, domestic travel began to soften as overnight spending dropped 5% in February before plummeting 41% in March. That reduction was naturally felt more acutely in certain states and territories: Queensland lost $721 million in expenditure in March alone (TRA 2020b).

As a result, 21,900 tourism jobs were lost in March, when the accommodation sector shed some 11,600 positions (ABS 2020b).

And it only got worse from there. In data released for April, May and June, we saw our overseas arrivals drop by an average of 99.4% (ABS 2020c), immediately shuttering our $41.5 billion international market (TRA 2020c).

Subsequent domestic travel restrictions saw the industry experience an 87.2% drop in expenditure, or a loss of roughly $11.8 billion (TRA 2020b).

The outlook is equally bleak. Tourism Research Australia estimates that our domestic market will lose around $23 billion over the next 12 months. This, in conjunction with the loss of the international market, would see our industry shrink by about $55 billion or almost 40% of our average annual revenue (Mayes 2020).

With ongoing travel restrictions and uncertainty about community transmission in Australia, it's clear that the challenges facing this sector are significant. What this crisis has shown us is that a strong domestic tourism market is going to be critical.

This isn't unique to Australia: the Organisation for Economic Co-operation and Development expects that domestic tourism will be the best chance for driving recovery in most countries (OECD 2020).

Given that domestic travel will resume sooner than international travel, those countries where domestic tourism already plays a significant role in the visitor economy have an opportunity to recover at a faster rate than those markets that are more dependent on international travel (OECD 2020).

Australians love to travel and, in many ways, that positions us well for recovery, but there are some key differences in the way Australians travel compared to international visitors, which will have impacts for tourism operators and fundamentally change the industry.

Overwhelmingly, trips taken by Australians tend to be shorter, lower yield and involve fewer activities than trips by international visitors (TRA 2020d).

This is an understandable statistic, as Australia's distant geography encourages greater spending if you have taken the time and effort to get here.

But there's an opportunity in the Australian market that could provide some relief. Last year, Australians took almost 10 million trips overseas, during which we spent some $65 billion (TRA 2020b). That represents billions of dollars that won't be spent, at least not for the foreseeable future. If we can encourage Australians to redirect even a fraction of that spend locally, it will help plug the gap left by international tourists.

While we can and should encourage Australians to holiday at home this year and support the local economy, governments also have a role to play.

We know that leisure travel can be limited by a variety of economic factors and, with higher unemployment, expected domestic trips are likely to be shorter and less frequent (TRA 2020d:4). Coupled with changing consumer patterns, which are expected to see more people driving than flying (McKinsey & Company 2020), that will mean our regions will be more important than ever.

It's here where governments can play a direct role in helping to overcome barriers to regional dispersal, which in turn will support our visitor economy.

While Australians are more likely to go to our regions than international visitors are, we know that visitation tends to be concentrated on those destinations near to capital cities and coastal centres.

According to research by Deloitte, more than one-third of domestic and international visitor nights were across five regional tourism hotspots out of the 68 regions located outside of capital cities across Australia (DAE 2019:4).

Unsurprisingly, the greatest barriers for both domestic and international visitors travelling to the regions are concerns about time and money. In a survey conducted in 2018, the largest reason given for not travelling to regions by Australians was a lack of time, followed by the perceived cost (DAE 2019:16). The survey found that, with more time, less expense and greater convenience, domestic respondents would consider spending their time in the regions (DAE 2019:17).

Addressing those barriers will help to sustain and grow our domestic market.

Deloitte, in its paper on understanding regional dispersal, suggests that the best way to address those concerns is by letting visitors know what's on offer, demystifying the time and distance issues and putting pieces of the travel journey together (DAE 2019:20).

There are no two ways about it: Australia is a large country. Where to go, how to get there and what to do once you're there are all questions that loom large for tourists. Educating people about the attractions and unique offerings of our regions and neighbouring areas is crucial to growing regional dispersal (DAE 2019:20).

Once people are dreaming about travelling to the regions, it's important to address the time and distance barriers. Providing facts and figures about times and distances enables people to consider their plans and make informed decisions beyond the perception that everything is too far away (DAE 2019:20).

One way to do that is to put all the elements together in the form of suggested itineraries. Providing people with clear information and suggestions on how to spend their time can make regional areas more attractive and accessible (DAE 2019:21).

Of course, there's another piece of the puzzle to bring tourists to regional areas: high-quality transport and infrastructure, in terms of both access and attractions.

It's clear that easier access to regional areas—be it via road, air, rail or ferry networks—is critical to a visitor's decision-making and experiences while travelling.

In addition, if an Australian is inspired to travel to a region and the journey is easy and enjoyable, they're more likely to go back and more likely to tell others, and of course the opposite is also true.

There's a clear opportunity here for governments to invest in critical infrastructure that won't only create jobs but have flow-on benefits to tourism.

But it's not just critical infrastructure that drives visitation. Governments should also consider investing in infrastructure that creates demand, such as by refreshing or creating new attractions. That kind of investment will stimulate visitation and can increase the competitiveness of a destination (TTF 2012:10).

There are many opportunities across Australia for increased investment in infrastructure, which won't only create jobs in the short term but also encourage visitation.

While getting Australians into our regions won't address all the issues in the sector, it will absolutely assist some operators to stay afloat.

For those in capital cities and those geared towards outbound travel and international visitors, we need to consider how best to support them to get through this time and pivot where possible.

One thing this virus has done is to clearly demonstrate how important the tourism sector is for Australia and that a strong domestic industry is critical to its success.

We know that, even when international borders reopen, it will be some time before the industry rebounds, and aviation capacity is unlikely to return to pre-crisis levels until 2024 (IATA 2020).

As Australians, the best way we can support our tourism industry is by committing to holidaying at home this year. After all, every overnight stay in a regional town is another job secured. Every meal or purchase is another business that can keep its doors open. Ultimately, every dollar spent on tourism in Australia will help to keep our industry afloat.

As for government, there are some clear opportunities to support the sector and steps to take that would increase regional dispersal and drive demand. While marketing will be a part of this, it isn't the only way to increase domestic visitation.

At this stage of the pandemic, it's hard to imagine what a world after Covid might look like, but what I do know is that, with a clear strategy and support, the tourism industry will recover. While it may look different, there are some things that will never change.

What will never change are the many remarkable experiences our country has to offer to both domestic and international tourists.

What will never change is the passion and drive of those in the sector to showcase Australia.

And what will never change is the fact that when things get tough Australians come together and support each other.

As policymakers, it's our job to consider ways to ensure that the sector has what it needs to weather this storm.

And as Australians, where possible, it's our job to prioritise holidaying at home this year.

And what a great job it is.

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The Local Power Plan: a blueprint for everyday regional Australians to benefit from the coming boom in renewable energy

Helen Haines MP

Next door to my electorate office in my hometown of Wangaratta is the Old Post and Telegraph Office. The old girl was built in the 1870s, when the discovery of gold in the Ovens and Beechworth goldfields made this one of the richest places on Earth.

The post office, like thousands of similar buildings across Victoria, stands as a small reminder of the legacy of that economic boom. Centuries ago, the early colonists used their gold wealth to build roads, railways, towns, cities and farms that still define our communities today. In many ways, the prosperity of the 20th century was built on a foundation laid during those heady years.

> There's an important economic lesson here, because we've again struck gold in regional Australia and we must decide how to use it. We've discovered how to mine the sun and capture the wind to not only power our own economy but to feed the hungry economies of Asia through subsea cables, in bottled hydrogen and one day, soon, in aluminium and steel.

Much as in the 19th century, our resources are the best in the world. Regional Australia is sitting not on a goldmine but under one, where our famous big skies rain an interminable supply of power for us to capture, if we're smart enough. And our power is now the cheapest in the world. Our sun and wind already beat Saudi oil, Russian gas, and, yes, even Australian coal, on price.

Around the world, investors are eyeing our golden plains greedily. There's big money to be made in Australian renewables. In fact, the rush has already begun. But while many people—rightly—talk about the importance of building renewables, we don't talk enough about what role they'll play in the development of the places that will host them.

And so, as we sit on the precipice of this 21st century goldrush, we must urgently answer two fundamental economic questions:

- How can we harness the renewable boom to jolt our regional economy back to life?
- How do we harness it to set up the regions for a generation of shared prosperity?

In September, I published *The Local Power Plan* as a response to those two questions. The plan outlines a set of practical policies that would harness our immense renewable resources to tackle our current recession and build enduring wealth for our regions.

Later this year, I'll introduce legislation to enact the Local Power Plan. This essay outlines why.

Renewable energy will be a new goldrush for regional Australia

First, consider two facts. The first is that renewables are rapidly replacing coal in Australia. The Australian Energy Market Operator's Integrated System Plan (ISP) shows that 63% of the nation's coal fleet will be retired over the next two decades (AEMO 2020). And, because they're the cheapest form of new power, renewables will replace them.

In 2019 alone, Australia installed 6.3 gigawatts of renewable energy (CER 2019). That's almost four times the size of the recently closed Hazelwood Power Station and is enough capacity to power 3.1 million homes. By 2040, 80% of our electricity capacity will be renewable (AEMO 2020).

The second fact is that this renewables boom will happen almost exclusively in regional Australia. The ISP identifies 33 *renewable energy zones*—locations with excellent resources and strong grid connections— where new large-scale renewables will be concentrated. Unsurprisingly, they're all in regional Australia.

In recent months, we've seen a $3-billion proposal for a wind farm and battery near Burra, South Australia, a $20-billion solar farm in the Northern Territory that would export power to Singapore, and $38 billion of private interest in a slew of projects around Dubbo.

Those trends will continue, and, in 20 years, Australia will be fuelled almost entirely by a chain of renewable power stations stretching right across the regions from Esperance to Carpentaria and everywhere in between.

But who will own those power stations? How will the economic rewards be shared?

Communities must be involved in renewables if they're to benefit

Australia's experience with renewable energy so far underscores that new development doesn't inevitably benefit local communities.

In its official guide to community engagement for renewable energy developers, the Victorian Government concedes that some past developments have failed to address local community concerns (Lane & Hicks 2017). The rise of the anti-wind-farm movement in the 2000s is the most visceral example of a failure to work with and for local communities leading to a backlash against renewables.

These issues aren't just in the past, either. There are too many recent developments in which developers have failed to meaningfully engage with local communities and enable material benefits sharing. Right now, there are disputes between communities and developers in the Loongana Valley in Tasmania (Cooper 2020), in Wide Bay in Queensland (Morton et al., 2020b) and, Myrniong in Victoria (Hodson 2020), to name a few.

This isn't just bad for communities; it slows down and sometimes scuttles projects. Researchers from the University of Technology Sydney argue that delivering local benefits is critical to the success of individual renewable energy projects:

> The real problem with getting acceptance of renewables lies in ownership and participation. If local communities miss out on economic benefits from corporate-owned renewables, their willingness to accept infrastructure, such as an ever-greater density of wind farms, declines. (Morton et al. 2020a)

The Clean Energy Council, which is the renewables sector's peak body, makes a similar point:

> Hosting a renewable energy development can bring about significant regional economic benefits throughout the lifecycle of the project … However, the opportunities for regional development can only be maximised if they are included in project development and benefit sharing plans. (CEC 2019)

Having profits flow offshore while regional communities miss out, flying in workers instead of upskilling our locals, and importing materials instead of making them locally—that's not the type of renewable future we should embrace. But the renewable transition is upon us. We now must ensure it happens *with* and *for* local communities, not *to* us.

Community energy is a model to ensure that locals share in the benefits of renewables

Community energy is about local communities developing, owning and benefitting from renewable energy projects. By putting local people in the driving seat, community energy is a way to ride the coming wave of investment towards a more prosperous future. And as we look for ways to revive our stunned regional economies, accelerating community-owned energy should be a priority for economic reform.

Three simple examples illustrate how community energy can work.

- *Small-scale:* In 2019, a community energy group in Albury–Wodonga raised money to install solar panels on the roofs of 10 social housing units, helping the residents to save money on power bills.

- *Mid-scale:* In 2011, the town of Denmark, Western Australia, raised funds locally to develop a small wind farm, which is wholly owned by the local community, who now receive returns on their investment and access to locally generated power.

- *Large-scale:* In 2017, in New England in NSW, the Sapphire Wind Farm, which powers 115,000 homes, generated 150 jobs, was built with a $7.5 million co-investment raised from local people, who are now receiving dividends alongside the commercial developer.

Right now, all across Australia, there are more than 100 communities developing projects like these. And the research tells us that, compared to purely commercial models, community energy delivers immense benefits both to local people and to developers (Lane & Hicks 2017).

> **For instance, when local communities are involved in renewable projects, that results in more local jobs and procurement (Lantz & Tegan 2009), and, when local people see those direct benefits, they're more likely to support new projects (Morton et al. 2020a).**

The long-term economic impacts of community ownership of energy assets are massive. Enova, which is a community-owned electricity retailer based in Byron Bay, estimates that $300 million leaves the Byron Bay region each year in electricity bills—money that could stay in the region if locals owned the energy generation (Haines 2020: Appendix 1:1).

Overall, Australians spend some $18 billion on household electricity each year (Haines 2020:1). If even a slice of that were owned by local regional communities, we'd be looking at a massive new export industry.

Community energy could deliver an immense economic boost to regional Australia, creating jobs quickly and laying a foundation for lasting prosperity. Our response to the current economic crisis should prioritise a plan to capture that opportunity.

The Local Power Plan is a comprehensive agenda to support community energy

Over the past six months, I've worked with the community energy sector across Australia to develop a plan to unlock the potential of renewables for all Australians. Because of its focus on driving both immediate benefits and lasting prosperity, I believe the Local Power Plan should be part of our national economic recovery agenda.

The Local Power Plan consists of three pillars delivered by a new Australian Local Power Agency.

The first pillar is the Local Power Scheme (LPS). The LPS would establish 50 local power hubs in regional towns and cities across the country and a $310 million fund to support local communities to develop their own projects, such as rooftop solar, community batteries and mini-grids.

The hubs would be funded at $500,000 a year for five years, at which point the ownership transfers to the local community. The LPS is based on a successful Victorian pilot in which three local hubs delivered 32 projects over two years, worth $14.5 million and representing a 13-fold return on government investment (Sustainability Victoria 2019). If we were to achieve a similar return, the LPS could generate over $4 billion of investment in regional Australia.

The second pillar is the Underwriting Community Investment (UNCI) Scheme. Through the UNCI scheme, the government will enter into contracts to guarantee a minimum rate of return to mid-scale (1–10 megawatt) renewable energy projects that are locally driven and at least 51% locally owned.

The government has already demonstrated a willingness to underwrite investment in new energy projects through its Underwriting New Generation Investment Scheme. As a new sister-scheme, UNCI is designed to 'crowd in' private-sector capital and expertise to mid-scale projects, and could see hundreds of regional towns develop their own local solar or wind farms in partnership with commercial developers.

The third pillar is the Community Renewable Investment Scheme. Under this scheme, any new large-scale (>10 megawatt) energy project in Australia will be required to offer 20% of the ownership to local communities within 30 kilometres of the project. Local residents will be given the chance to become part-owners of new renewable projects, so that every electron sold is income back to the community.

Since 2008, a similar scheme has operated in Denmark, which now enjoys one of the highest rates of renewables in the world, and where 50% of all wind turbines have some community ownership (Gorrono-Albizu et al. 2019). In Australia, this model was pioneered by the Sapphire Wind Farm in NSW.

A new Australian Local Power Agency should be established to implement the Local Power Plan over the next 10 years. According to the Parliamentary Budget Office, over that time frame, the plan would cost $483 million, or less than $50 million a year (Haines 2020: Appendix 4). It would be a catalytic investment in regional communities that have been battered hard by drought, fire and recession and just need a leg-up to capture the immense opportunity before us.

Like the gold rush before it, the renewable energy transformation is a once-in-a-century opportunity to revitalise regional Australia. We must plan it right to ensure that renewable energy builds the resilience of our communities, lowers electricity costs and creates a new export industry. We should aspire to supply the country and the world with endless clean electricity made right here in regional Australia.

And the Local Power Plan will help us get there.

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Learning from misery: post-pandemic prescriptions for prosperity

Senator Kimberley Kitching

Bertrand Russell said that 'extreme hopes are born from extreme misery.' Some well-informed commentators believe that we'll never defeat the novel coronavirus that's currently causing such grief and havoc around the globe—that there will never be a post-Covid world. But we do know the sheer ingenuity of humankind. We do know the capacity of science and preventive health measures, which is demonstrably deep. Over the preceding decades, we've achieved the near eradication of smallpox and polio, seen the decline of HIV/AIDS through retrovirals and behavioural changes, and controlled seasonal influenza through vaccinations. We should have faith that we can defeat the coronavirus as well.

But we must remember that the post-Covid world won't be the pre-Covid world. Things won't be the same. As individuals, as communities and as nations, we've all been affected: there's a certain irony in the etymology of the word 'pandemic', deriving as it does from 'all' and 'people'.

Many issues won't become apparent for some time. Virologists, epidemiologists and social scientists will be debating about Covid-19, the various infection controls employed and the corresponding political decision-making for years. But it does seem to be obvious to many that the social contract between the nation-state and its citizenry has been tested in ways we haven't had reason to consider for some time.

Is the community willing to continue to give up certain freedoms and rights that had been taken for granted—whether that be the right to run a business, travel, even remain outside after 8 pm—against the desire to be safe from a disease? There may well need to be an examination of the social contract and whether we've balanced considerations properly. What is the *volonté générale*, or the *mens una*, or have the inputs for utilitarian outcomes shifted? We may also need to examine whether the freedoms and rights that the citizenry of a Western liberal democracy have traditionally enjoyed and that have been given up by the citizenry during the past few months will be altered, and whether there will be a ceding of those rights and freedoms to governments, given the course of this pandemic and the fact that no society can guarantee that we can be free of another wave, or indeed, another pandemic.

> **This crisis has taught us a number of painful lessons. It has brought to light the false economy of long-term cuts to our public healthcare system; the tragic consequences of underfunding our aged-care system; the over-reliance of our affluent society on the underpaid and undervalued labour of recent immigrants, some working multiple jobs; and the consequences of the increased casualisation of the Australian workforce. It has also invited us to consider the consequences of supply chains stretching over multiple jurisdictions.**

We need to learn all those lessons and more, and we need to apply what we learn to make better public policy choices so that we're never placed in such a vulnerable position again. The Covid crisis has already produced a sea-change in economic policy across the developed world. The dominant formula of the past 40 years, expressed famously by Reagan as 'government is not the solution to our problem, government

is the problem', has been summarily jettisoned to reflect the unique emergency we face. We're at war with an invisible enemy that has attacked our ability to earn, to learn and to quietly enjoy our lives and freedoms. And this war has been almost unbelievably expensive.

Who could have imagined that a conservative—liberal government that had fetishised budget surpluses (despite doubling federal government debt on its watch—before coronavirus) would undertake one of the most expensive spending commitments in the country's history of welfare through massive transfer payments? We should all be thankful that it did, but, if Covid is to be contained and then defeated, that will only be through the concerted, sustained efforts of activist, problem-solving national governments, and through public spending where it's needed.

The post-Covid world will also look very different in the field of trade. This will be particularly consequential for Australia—a nation that lives by trade. Whether our principal export is gold, wool, wheat, iron ore, coal or natural gas—and it's been all of those at different times—we rely on the export of primary products. The Covid pandemic has forced many countries to ask difficult questions about their economies—specifically, about the relationship between their trade policies and the requirements of a sovereign state to meet a crisis of this kind. Blind trust in foreign supply chains without quickly actionable plans to deal with emergencies such as the pandemic proved not only unduly optimistic but also perilous to national security.

Therefore, we must place Australia's security interests ahead of any political party or ideological considerations. In recent decades, Australia has had to adapt to an Asia–Pacific region in which China has emerged as the dominant economic power. For most of the past two decades, our bilateral relationship has been on cruise control. Legitimate concerns have been muted by the steady stream of cash flowing into the national coffers in exchange for Western Australian iron ore. China's increasing prosperity, as well as that of other emerging Asian economies, opened up new export markets, not just for iron ore, coal and natural gas, but also agricultural products, and new or expanding industries such as education, tourism, hospitality, financial services, media and the arts.

But that mutually beneficial trade relationship was always predicated on the assumption that China would be a rational and respectable player in the field of trade, would abide by the rules set down by the World Trade Organization (WTO) and would act in the interests of the growth and prosperity of all in an increasingly interconnected region. That assumption held good to a large extent under the reformist rule of Deng Xiaoping and his successors Jiang Zemin and Hu Jintao. China, under the leadership of Xi Jinping, has instead shown a willingness to use trade, investment, tourism, foreign aid and diaspora communities as weapons in its drive to establish a regional hegemony in the Asia–Pacific and challenge the liberal democratic world order. It's now become increasingly clear that it isn't the world that's changing China, but China that's attempting to change the world.

This is not to argue that Australia should disengage from China, which is our largest two-way trading partner. Doing so would inflict untold damage on the economy and, therefore, on the livelihoods of all Australians. The responsible thing would be to expand and deepen our economic relationships with other established and emerging powers in our region. The most obvious are India and Indonesia, but we should also look to Malaysia, Thailand and Vietnam. Labor's trade spokesperson, Madeleine King, has repeatedly urged the Morrison government to do more to encourage Australian firms to diversify our export customers. She isn't alone, here. This is a position backed by the vast majority of the electorate:

94% of those polled by the Lowy Institute believe that Australia should reduce our economic dependence on China (Lowy Institute 2020).

Government, business and the public need to all be on the same page. As recently quoted in an article in the *Australian Financial Review,* Western Australian Farmers' Federation chief executive Trevor Whittington noted industry's changed response in dealing with China's 'overtly political' trade bans. In making his point, he used the subversive but astute analogy of 'Squeeze a piglet, make it squeal and the big sow will come running'—meaning that if farmers are pressured, they'll complain to their government and the government will in turn do China's bidding (Tillett & Thompson 2020).

What we're now seeing is the result of having allowed ourselves to become too dependent on exports to one country for our livelihood. Two of our biggest earners—tourism and international education—have collapsed in the course of a few months after decades of growth. The sudden scramble for medical equipment and technology such as personal protective equipment and respirators found us at the end of a long and unreliable supply chain from foreign manufacturers.

That shock came on top of the realisation that, in a region marked by increasing political and military tension caused by the rise of a newly belligerent China, Australia lacks the means to boost our defence capacity from our own resources, largely as a result of decades of deindustrialisation as manufacturing was allowed to move offshore (and, in the case of the car industry, was encouraged to do so by Joe Hockey's infamous 2013 ultimatum). There's now an emerging consensus across Australian politics that we can't allow ourselves ever again to be so dependent on foreign suppliers. It seems that we now all agree that Australia must work to re-establish its sovereign capability in medical technology and defence industry—as a minimum.

But all of that's easier said than done. To achieve greater self-reliance in those very advanced fields, we need to rebuild the manufacturing base that we've allowed to run down for more than 30 years. We also need to rebuild the skilled workforce that makes all this possible. To do that requires a reversal of decades of cuts to technical education, both in schools and in TAFE colleges. This needs to be a uniform, national policy.

Then there's the problem of how any revival of our manufacturing base is to be powered, quite literally. Manufacturing, particularly heavy industry, is energy intensive, and at the moment we're in the middle of a slow and rather complicated process of transition away from highly polluting carbon fuels and towards renewables and low-carbon technologies. To say that the politicisation of this difficult but necessary transition since 2007 has been unfortunate is an understatement.

Australia has many disadvantages as a manufacturing centre (principally our distance from our traditional markets and the smallness of our domestic market), but we've always had one advantage: cheap and plentiful energy in the form of coal. Despite decades of talk about decarbonisation, Australia still generates 80% of its electricity by burning carbon fuels. Renewables account for the remaining 20%, but, of that, 7% is hydroelectricity.

The hope of a complete transition to renewables won't be realised overnight; wind and solar account for only 11% of our total energy mix when combined. While that proportion is rising, and will continue to do so, it isn't happening fast enough to allow us to suppose that we can complete the shift away from carbon fuels in the immediate future. It's true, as is often said, that central Australia could produce enough solar

electricity to power the whole world several times over, but, at present, the technology to transport that power to where it's needed and to store it efficiently doesn't exist. The market is ensuring investment in renewables (last year, I visited Adani's Rugby Run Solar Farm in Moranbah, Queensland).

Both parties of government have flagged gas as having a role to play in the economy. As the Labor leader has said, 'Gas has a role to play in the economy, particularly … a critical role in manufacturing'. Australia has huge reserves of natural gas, almost all of which is exported. In fact, we've overtaken Qatar as the world's largest LNG exporter. Australia's Chief Scientist, Dr Alan Finkel, has reiterated the need to keep natural gas as a part of any future energy mix by arguing that 'the adoption of more renewable electricity will be faster, more economical and more reliable if natural gas fired electricity generation continues to be available in the near to medium term' (Finkel 2020). He also noted that gas has an 'important firming role to play as, and when, existing coal-fired stations close due to age or competition' (Finkel 2020).

In May this year, the Victorian Government lifted a moratorium on onshore gas exploration (effective from July 2021)—a position I've long argued for. The decision came after a three-year investigation by Victoria's lead scientist, Dr Amanda Caples, which found that there were major gas reserves in Victoria that could be extracted without harming the environment and without fracking, which remains banned (GSV 2020). If Australia is to build a new manufacturing base, whether it's for submarines, electric cars or surgical masks, powering it with gas instead of coal, wherever and whenever renewables aren't available or suitable, will make an important contribution to lowering our emissions, as well as creating new employment opportunities in a post-Covid economy when many pre-Covid jobs will be returning only slowly, and some perhaps not at all. There's no room for Pollyanna presumptions when we're trying to make our country as resilient as possible.

This pandemic and the economic crisis it has created have a long way to play out. We should, however, use this time to rethink how our society functions in terms of the federation, how we trade fairly, and the way we engage in problematic bilateral relationships. We also need to decide whether we want to be a country that has the capacity to make things again. In a post-Covid world—whenever we get there—Australia is going to have to face up to new realities. As beneficial as 30 years of free trade has been, we won't be able to go on as we did before.

If we're to operate and succeed in the 'new normal', restore full employment and safe and secure working conditions, reduce our dependence on foreign suppliers of essential goods, make a more robust contribution to our own defence in an increasingly dangerous region, and continue to reduce our CO_2 emissions—without devastating the regional communities that have long depended on mining—we have to start thinking of new approaches to these problems. 2020 has certainly had its real moments of misery, but it also offers us a very rare chance to rethink what we want our country to be.

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Preventing long-term unemployment is key to the Covid recovery

Julian Leeser MP

One of the great economic, social and strategic policy challenges Australia will have to face after Covid-19 is getting people off benefits and into work.

Perhaps the economic and social problems created by unemployment and welfare dependency are obvious, but they're also a strategic policy challenge because greater unemployment means higher taxes and less revenue available to spend on intelligence, security and defence.

Where there are higher concentrations of welfare dependence in rural, regional and remote areas, this also means that Australia becomes more reliant on foreign-sourced labour to maintain key industries; and smaller populations spread across Australia's landmass present potential strategic challenges for the sovereignty of Australia over the entire continent.

The challenge is to get Australians off welfare and back into work as quickly as possible, including by finding ways to fill regional labour shortages with the newly unemployed, in order to lessen any culture of dependency that protracted periods of unemployment might create.

Around 1 million Australians have lost their jobs or been stood down as a result of the Covid pandemic (ABS 2020). An estimated 4 million people are on JobKeeper payments (Frydenberg & Morrison 2020). Treasury predicts that the unemployment rate will be at 8.75% by mid-2021, with a much higher effective unemployment rate (Kennedy 2020).

The great policy challenge ahead is how to prevent this current health crisis from becoming a protracted unemployment crisis and how to equip employers and employees to adapt to new opportunities in the coming months and years.

The fallout from Covid also provides Australia with an opportunity to reassess new employment opportunities that may arise as a result of a changed geostrategic environment.

The risk

History shows us why it's so important to get people back to work as soon as possible. The longer someone's unemployed, the harder it will be for them to find a job.

Evidence from previous recessions underscored this point. Writing in 1993, Jerome Fahrer and Andrew Pease of the Reserve Bank of Australia explored the relationship between unemployment and job vacancies (Fahrer & Pease 1993). They looked at the period between 1979 and 1992, which covered the 1982–83 and the 1990–91 recessions. Fahrer and Pease found that men who had been unemployed for fewer than three months at the start of a quarter had a 43% chance of moving off benefits by the next quarter, and those who had been unemployed for one to two years had a roughly 20% chance of leaving unemployment benefits within the quarter. In other words, their chances were 53% lower than those of the men who'd been on benefits for fewer than three months. After two years, the chance of leaving benefits fell to just 15% (Fahrer & Pease 1993).

Fahrer and Pease found that exit rates declined as the duration of unemployment increased. There are two reasons for this finding: first, some employers' use of long-term unemployment as a screening mechanism; second, the erosion of job skills due to the long duration spent out of employment.

A study of long-term unemployment income-support recipients by the Department of Social Services between 2015 and 2016 made similar findings (DSS 2016). Nearly 55% of people who had been on benefits for up to three months had exited payments within the year. However, only 31% of those who had been on benefits for one or two years were no longer on benefits by the end of the study. This means that their chance of exiting benefits within a year was 44% lower than those of people who had been on benefits for only three months. Only 23% of those who had been on benefits for two to five years were off benefits by the end of the year, along with just 13% of those who had been on benefits for over five years. The department concluded: 'The longer a person's income support duration, the more likely it is that they will still be on payments 12 months later.'

For young people, whose employment prospects have been disproportionately affected by Covid-19, the situation can be worse and can have lifelong consequences for their employability. As a 2018 study by Zoya Dhillon and Natasha Cassidy, for the Reserve Bank of Australia, on labour market outcomes for young people found: 'Poor labour market outcomes early on not only affect an individual's future employability but also have persistent negative effects on lifetime earnings' (Dhillon & Cassidy 2018).

Their research found that those who graduate in weak economic conditions are unable to fully shift into better jobs even once the economy picks up again. They also found 'a similar deterioration in labour market outcomes for those younger workers who entered the labour market in Australia after the global financial crisis compared to previous cohorts' (Dhillon & Cassidy 2018).

Policymakers need to address the challenge of preventing the newly unemployed from becoming long-term unemployed. Long-term unemployment is a human tragedy.

> **Australia has to ensure that the Covid pandemic doesn't create the same sorts of long-term unemployment patterns that have been experienced in previous recessions. We don't want a generation of people to experience what occurred in the Welsh valleys after the closure of mines, or in parts of Australia after the 1990s recession.**

Opportunities exist

In my role as chair of the Joint Standing Committee on Migration, I've heard about labour shortages in many parts of regional Australia. Recently, I've heard how that situation's being made even worse by some of the support systems we have put in place for coronavirus.

I've heard evidence of Australians previously working in agriculture and in horticulture walking off the job as soon as JobSeeker with the coronavirus supplement commenced. As the CEO of AUSVEG told the committee recently:

> Even recently, when jobseeker payments were raised, many growers have reported that they've had workers collect their final pay cheques and leave because they'd rather go home and receive the JobSeeker payment than work on the farm. (Whiteside 2020)

The managing director of Agri Labour raised similar concerns. He said that, when the rate of unemployment first started to rise earlier this year:

> We were inundated with a 300 to 400 per cent rise in Australian applications. Four weeks later, after the announcement of the JobSeeker and JobKeeper, we had a completely sharp decline. In many cases, we actually had permanently employed Australians resigned from their work to take up the jobseeker payments because there was a marginal difference in what they would take home. (Brown 2020)

A recruitment agency in Sydney contacted me because it's had five casual workers on JobKeeper who refuse to turn up for work. Those workers have made themselves uncontactable, despite receiving the fortnightly payment.

These stories illustrate that, in parts of Australia, job vacancies exist and there's an opportunity to help people adjust and adapt to new employment opportunities. However, the welfare system can discourage employment if the terms discourage job seeking or the quantum provides no incentive to seek employment.

The rate isn't the key issue

In the pre-Covid environment, with unemployment running at around 5%—a rate we used to call 'full employment'—the major issue for public debate was whether the rate of what's now called JobSeeker should be raised. Having raised it temporarily to deal with Covid, the negative side effects of a higher JobSeeker rate can be seen in the above anecdotes.

Further, the relaxation of the mutual obligation regime means that stories abound of people turning up to work and then resigning to go back on JobSeeker, which—although suspended for four weeks—is backdated to the date the recipient lost their job. The removal of mutual obligation requirements provides perverse incentives to game the system.

The focus of public debate shouldn't be on raising the rate of JobSeeker. The government needs to provide a temporary safety net, but not establish itself as an alternative employer. Instead, we need to use the challenges created by Covid to find new opportunities for the recently unemployed.

Regional opportunities abound

Regional Australia contributes around 30% of Australia's GDP (McCormack & McVeigh 2018), but, with declining populations and an estimated 40,000 job vacancies, the survival of industries in regional Australia is threatened (Hayter & Bryant 2020). This point was memorably illustrated by evidence from the $2-billion South Australian wine industry at a recent hearing of the Migration Committee.

In the Clare Valley, just over two hours from Adelaide, the wine industry hasn't filled all its job vacancies for fruit pickers over the last couple of vintages. The industry also struggles to get people to staff its cellar doors and restaurants. Without workers, the industry can't harvest its grapes or market its wine.

This reduces growth opportunities, hinders the fulfilment of exports and, over time, risks the contraction of the industry.

Similar stories abound throughout regional Australia. In the past, incentives to encourage people to move to regional Australia have been unsuccessful. However, many of those incentives have been tried in the context of a buoyant national labour market and in a context in which people haven't spent a substantial portion of the year working remotely. The weaker labour market, the ability to work remotely and regional Australia's considerable lifestyle benefits, such as a lower cost of living, are good reasons to trial relocation allowances, bonus payments and tax incentives at this time.

Moving people back to employment sooner

In 2015, the McClure review of Australia's welfare system recommended five 'pillars' of reform for the system (DSS 2015). Among them was the need to better engage with and support employers. Through JobKeeper, the government has correctly recognised the importance of the employment relationship in its response to the pandemic.

Similarly, the extended wage subsidies for apprentices and training programs have been popular in the context of the pandemic. Businesses in my electorate tell me that they're increasingly taking advantage of the opportunity to take on new apprentices. However, many still find it daunting to give ordinary workers a chance because of the threat of unfair dismissal claims and employment-related compliance costs.

In addition, many Australians who lose their jobs as a result of Covid should be encouraged to pursue possible business opportunities. Governments at all levels need to make it easier to start and operate a business.

Encouraging enterprise and removing employment disincentives need to be at the forefront of the national agenda.

Possible new opportunities and new industries

Finally, we need to use the strategic clarity provided by Covid to make choices about where Australia can grow employment opportunities.

The shortages in personal protective equipment mean that Australia should develop permanent capacity to produce critical supplies domestically of both that sort of equipment and other critical medical supplies needed to sustain life and prevent infection.

Those and other shortages experienced during the pandemic, China's trade strikes against beef, barley and wine and Beijing's much more openly aggressive strategic posture mean that Australia should take the opportunity to expand manufacturing in critical industries and look at how Australia can add value to many of the high-quality commodities that we already extract and export.

Covid has been a wake-up call to many businesses and industries that had 'bet the house' on China for all their manufacturing needs. Whether this awakening leads to more manufacturing domestically or just a diversification of international supply chains will depend on unit costs and risk appetites, but there should be advanced manufacturing opportunities here. That won't necessarily mean 1950s-style assembly lines, but it should increase employment opportunities for Australians.

> **Australia can also take advantage of the changing geostrategic environment to work with allies such as India. India is a technological superpower, and Australia is a critical minerals superpower.**

Critical minerals are vital in most of the essential technological applications, such as smartphones. Australia's resources sector is one of the world's most advanced, and an expansion of our critical-minerals extraction is not only good for employment opportunities: working with India helps give Australia a seat at the table as the regulation of important technology is developed.

Conclusion

A working population provides security benefits to Australia, beyond the economic and social benefits for individuals and communities. Right now, Australia is recognising a confluence of needs that allow the Australian Government to kill many birds with a single stone. By developing the regions, manufacturing domestically and encouraging Australians to locate to where the demand for workers is high, the government will position the workforce where future growth is likely and will also ensure that national priorities—such as security in the production of food and essential goods—are maintained.

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Economic growth and wellbeing

Peta Murphy MP

In a speech to the University of Kansas in 1968, Senator Robert F Kennedy noted that:

> … the gross national product does not allow for the health of our children, the quality of their education or the joy of their play. It does not include the beauty of our poetry or the strength of our marriages, the intelligence of our public debate or the integrity of our public officials. It measures neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country, it measures everything in short, except that which makes life worthwhile. (Kennedy 1968)

As this article is being written, Australians are waking up to the confirmation that we're experiencing the worst national account figures since the 1930s. There's no doubt that reviving economic growth and creating jobs are critical challenges facing Australia's leaders and will be for many years to come, but, as we imagine post-Covid (or Covid-normal) Australia, are the traditional measures of national income, such as GDP, sufficient indicators of our progress? My argument is that they're not, because, as economist Simon Kuznets said, 'the welfare of a nation can scarcely be inferred from a measurement of national income.'[1]

While economic prosperity, fairly shared, must play a central role in our national agenda, in order for Australia and Australians to truly thrive, it should be embedded in a larger story of wellbeing—of people, of communities and of the places we live in and love. Arguably, the failure to see national wellbeing and national economic growth as indivisible explains why, as *The Economist* observed in 2011, while we're at our best in a crisis, our history is one of failing to take full advantage of prosperity.[2]

Prior to 2020, Australia experienced an extraordinary 28 years of economic sunshine. During that time, annual GDP growth peaked at 5% and troughed at 2% (World Bank 2019). Yet, that long economic summer has left many people in the shade. Inequality has risen, wages have stagnated and more people on low and precarious incomes are being left behind. The natural environment is in a fragile state, struggling to withstand the relentless demands of human production, consumption and population, as the more frequent natural disasters we experience attest. The mining boom, while contributing to Australia's economic growth, has left wider cultural and environmental legacies for the nation.

In July 2020, the latest index for the UN Sustainable Development Goals ranked Australia third globally for our management of the Covid crisis, but 37th for our long-term direction (Sachs et al. 2020). Perhaps that reflects that in recent times, individuals, organisations and governments have struggled to deliver more than the introduction of piecemeal or temporary reforms and have failed to build powerful community support for a creative national vision or long-term agenda. That failure hasn't always been the hallmark of Australian politics—and it doesn't have to continue to be so.

In the years between becoming a nation in 1901 and World War I, Australia built a thriving democracy based on a living wage supplemented by an age pension, an interventionist state and a nearly universal franchise that included votes for women (although not most First Nations people). After World War II, legislators renewed the Australian compact by committing to full employment, mass migration, a huge expansion of housing and, later, the broadening of tertiary education. From the 1980s, Australia

introduced sweeping reforms that deregulated and opened our economy while expanding the 'social wage' with Medicare, family support and superannuation, and better protecting our environment.

Those times of profound national change had characteristics in common with each other and with where we find ourselves in 2020. Most obviously, they all followed crises that threatened health, wealth and wellbeing. They all required leaders from the political, social, business and civil spheres of society to put down their cudgels—at least temporarily—in order to achieve the nation's larger goals. In all instances, in the urgency of the moment leaders took one step back to forge a simple, compelling narrative that the population could rally behind. By thinking larger and looking longer, leaders of those periods built a legacy that would endure—they created a nation, they built a nation in which everyone had a job, and they opened our nation to the world. We need equivalent vision from our leaders today.

Finally, those moments of upheaval occurred at roughly 40-year intervals. That might be a coincidence, or it might suggest that every generation renews the nation in its own way, finding answers that respond to the urgency and need of its time. Nearly 40 years since the last period of major change emerged, we can view the health, social and economic damage wrought by Covid-19 as also providing the conditions for reimagining and renewing Australian society—captured by the oft used phrase, 'Build back better'.

In 2020, Covid-19 has illustrated starkly and painfully that it's impossible to separate the wellbeing of our people from the health of our economy, society and environment. We knew before the pandemic that Australians care about their physical and mental health and that of their families and friends, their connections to their communities, the health of the natural environment and the planet their children will inherit, and whether their society is broadly equal and fair. But Covid-19, and before it the devastating summer bushfires, have stripped bare the fragility of almost everything we hold dear. It has raised the spectre of an entire generation of young Australians who may now face a future more difficult, less prosperous and less secure than the future their parents once faced.

Australians today have a once-in-a-generation opportunity to, as economist Kate Raworth puts it in her book, *Doughnut economics,* 'change the goal' (Raworth 2011)*.* We can decide to judge the success of recovery from the global pandemic not just by how swiftly the economy rebounds, but also by whether our country is meeting measures of what Australians value as contributing to a 'good society'.

Measuring wellbeing is neither a new nor a radical suggestion. In fact, the Australian Bureau of Statistics (ABS) was the first national statistical organisation to do it (Drabsch 2012). As the ABS noted in a submission to the 1996 Senate Legal and Constitutional References Committee Inquiry into National Wellbeing:

> Towards the end of the 1980s and into the 1990s … interest intensified in social well-being issues and the need for appropriate indicators. Declining real wage levels and an awareness that sections of the community were experiencing hardship, also sharpened the need for indicators. At the same time, the community became more aware of the wider issues of quality of life and the concept of economically sustainable development. (SLCRC 1996)

Although significant economic reforms were introduced during the 1980s and early 1990s, the intensified interest and awareness described by the ABS didn't translate into changes to the way in which the Australian Government constructed the national accounts. The New Economics Foundation suggested in January 2009 that, while the operation of:

> a set of National Accounts of Well-being would be a significant departure from conventional practice … the idea in fact represents a return to the original intent for modern national accounting systems as they were first conceived almost 75 years ago. (Michaelson et al. 2009)

Since that observation was made, various international jurisdictions have considered what a 'national account of wellbeing', however named, might look like, such as the report of France's Commission on the Measurement of Economic Performance and Social Progress (commonly referred to as the Sen–Stiglitz–Fitoussi Commission) (Stiglitz et al. 2009). The OECD subsequently set up the High-Level Expert Group on the Measurement of Economic Performance and Social Progress (HLEG 2018a), which in 2018 released a report analysing responses to the 2008 global financial crisis and recommending that:

> governments use a dashboard of indicators to assess a country's health and people's conditions, encompass[ing] the most important dimensions of people's lives, such as skills, health, jobs and income, as well as economic security, environmental degradation and trust. It should pay attention not just to average outcomes but also to how policies affect each of the segments of society, and give a balanced consideration to well-being today and in the future. (HLEG 2018b)

In 2015, the UN member states (with bipartisan support in Australia) adopted the Sustainable Development Goals—a 'blueprint to achieve a better and more sustainable future for all' (UN 2015). The 17 interconnected goals relate to poverty, inequality, climate change, environmental degradation, peace and justice.

Closer to home is the New Zealand 'Wellbeing Budget' (NZ Treasury 2019). The first Wellbeing Budget, handed down in 2019, used evidence to identify five priority areas with 'the greatest opportunities to make real differences to the lives of New Zealanders': supporting mental wellbeing; improving child wellbeing, supporting Māori and Pacific aspirations; transforming the economy; and investing in New Zealand. (As an aside, I can't help but wonder if it's merely a coincidence that the three national leaders championing the wellbeing approach—in New Zealand, Scotland and Iceland—are women.) It's important to note that a wellbeing approach embraces economic growth, seeking to maximise the benefits that flow from it by ensuring that growth is broad, inclusive and sustainable.

While Australia might draw from those international examples, we need an Australian approach. The 'quadruple bottom line' (Drabsch 2012) approach to measuring national wellbeing (economy, society, environment and democracy) could provide the foundations for an Australian approach to a national wellbeing budget and for national wellbeing accounts. The specific line items under each of those meta-measures could reflect a modern Australian description of what's required for, or what constitutes, a good society. We've plenty to build on, given the pioneering work of the ABS, of the Australian Treasury's 2004 Wellbeing Framework and the National Sustainability Council's 2013 measures of 'sustainable wellbeing'.

I've reflected on the way my constituents in Dunkley have responded to the challenges of 2020 and on the issues that they've asked me to champion as their federal member. They nominate social connectedness and opportunities to participate in 'community'; equitable access to physical and mental health support, employment and education; and the preservation of our local environment. They care about economic growth, but they care about much more than that. In July 2020, more than 70 locals responded to an open invitation to attend a virtual 'charities and community groups' forum. There was some discussion about the dearth of government funding and support for individual groups and projects, but the participants themselves drove the conversation towards how they could work together to deliver programs and resources for those in our community who find themselves isolated or disadvantaged. Rather than pushing their own barrels, our charities, community groups, sporting clubs and arts societies wanted to explore what they could do together that none of them could ever hope to do alone.

> **This is the message I bring from my community to the national debate.**
> **We really are all in this together. It isn't the time in our nation's journey for**
> **piecemeal, short-sighted or divisive leadership. On the contrary, if we can**
> **again step back and reflect, we can grow not only wealthy but wise and well**
> **by working together towards the future we want.**

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Notes

1   Kuznets devised his measure of national income to understand the depth of the Great Depression.

2   'The next Golden State', *The Economist*, 26 May 2011, online.

Coronial inquiry: post-Covid inter- and intragenerational inequality in Australia

Anika Wells MP

Overwhelmingly, our values unite Australian generations. Before and during the Covid-19 pandemic, the top issue that kept millennials and gen Zers awake at night was the welfare of their family, before subsequent concerns for their career prospects and their long-term financial future (Deloitte 2020). In Australia, we have a longstanding covenant of trust that one generation will look after the next— but our young generations currently stand at the edge of an economic ravine. If we don't act to address structural policy problems as part of our response to Covid-19, Australia's intergenerational inequality will widen cavernously, erode social cohesion and present insurmountable budgetary problems for generations to come.

Through no fault of their own, most millennials' and gen Zers' debuts into the labour market were bedevilled by two 'once in a lifetime' economic crises. Data collated since the 2007–08 global financial crisis (GFC) shows that youth labour market scarring that occurred in the aftermath of the crisis has had long-term consequences for youth unemployment, underemployment, wage growth, quality of jobs and career progression. The challenge for policymakers now is to develop labour market interventions that will minimise the long-term consequences of the Covid economic recession for young people. By critically analysing how the GFC affected young people, we should be able to proactively identify red flags and apply lessons learned over the past decade to our plans for the post-Covid recovery.

While Australia avoided an economic recession during the GFC, young people experienced the highest rates of job losses of any age group in the decade since that event (Gilfillan 2016). For those who were able to find work, job quality has been inferior in terms of security and hours of work available (Watson 2018). In 2018, approximately three-quarters of workers under the age of 20 were employed casually. Workers in their 20s and early 30s had slightly more job security: 42% and 18%, respectively, were employed casually (AiGROUP 2018). Rampant casualisation and underemployment continued into 2020, when 18.2% of young people were looking for more work before lockdown in March—more than double the level of any other age group (Birch 2020).

Fast-forward to May 2020, when youth unemployment was 16.1% (ABS 2020). Once restrictions were put in place, the hospitality, arts, retail and recreation industries, which collectively employ 45% of young people, were the first and worst hit. Job losses in those sectors were exacerbated by the fact that more than half of hospitality staff and over a third of retail, arts and recreation employees are casuals (Birch 2020). The change over the past decade towards more insecure and casual employment (BSL 2018) not only created the perfect conditions for young people to be disproportionately affected by an economic recession in 2020, but also placed younger workers in a weaker bargaining position (Watson 2018, de Fontenay et al. 2020). That weakened position played out in stagnant wages and in income trends of younger households either stalling or backsliding, while income growth has continued to strengthen for households headed by people aged over 55 (Wood & Griffiths 2019).

While the impact of the Covid recession on overcasualised sectors is undeniable, the GFC experience should also raise alarm about sectors with 'higher scored' jobs (Watson et al. 2018). After the GFC, young people had more difficulty getting jobs in the careers they aspired to, instead opting for 'lower scoring'

jobs or work in less attractive occupations (Watson et al. 2018). A lower starting point isn't necessarily a problem if young workers can improve their occupational score relatively quickly. However, young people who obtained a lower scored job in the post-2008 labour market were more likely to remain on a low-scoring job trajectory (Watson et al. 2018). While some may choose to retrain and pursue further education, and return to the job market when conditions are more favourable, the Productivity Commission has suggested that, if youth labour markets fail to strengthen, the growth in the number of available jobs won't be large enough to absorb the increased supply of highly educated or qualified workers (Watson et al. 2018). For example, young people who graduated between 2013 and 2014 obtained work in lower scored occupations than earlier cohorts, and people aged 25–34 with bachelor's degrees in 2018 were substantially worse off in 2018 than the same age bracket in 2001 (Watson et al. 2018).

The consequence of this is that highly skilled people who have to temporarily move down the job ladder or work in casual jobs while searching for graduate jobs create more competition in lower scored jobs (Watson et al. 2018). In the context of the Covid economic recession, in which lower scored and casualised jobs have been slashed, too much competition for jobs due to lack of supply will lead to bottlenecking and drastically increased long-term unemployment (Watson et al. 2018).

While past policy decisions have contributed to increased pressure on young people, we can learn from those lessons to redress the problem. Youth labour market interventions should be based on the specific obstacles to employment that young people are facing in the post-Covid-19 economic recovery (Eichhorst & Rinne 2015). The Covid recession is unique among previous postwar recessions because it has been caused by a supply shock, not a demand shock (Popov 2020). Traditional activation measures implemented by governments to promote youth labour market participation, including job search assistance and mutual obligations, won't be an effective solution if there's insufficient supply. In theory, industrial policies that promote restructuring and eliminating bottlenecks in the supply of jobs by transferring labour resources from the contracting industries, such as tourism and recreation, to expanding industries, such as health care or PPE manufacturing, could be beneficial (Popov 2020).

However, that strategy won't address the issue of stagnated career progression for people who choose a subjectively less attractive occupation out of necessity. One example of a short term resolution of this issue is the Canada Summer Jobs program. Since 2009, the Canadian Government has funded a summer work experience program that encourages not-for-profit organisations, public-sector employers and small businesses to create high-quality summer job opportunities for students aged between 15 and 30. Long-term, high-quality job creation will be the key to improving wages and job security and avoiding unproductive competition between higher and lower skilled people resorting to already scarce lower quality jobs.

If we don't take action to prevent the youth labour market scarring that occurred after the GFC reoccurring, the time-honoured covenant of generation-on-generation progress is under threat. Existing intergenerational inequality will only widen. While older generations are better prepared to weather a weaker labour market because they're more likely to have other sources of income (Wood & Griffiths 2019), millennials and gen Zers haven't been able to accrue an equivalent security nest egg. The Grattan Institute found that all age groups over the age of 35 had more wealth in 2014 than the same age groups in 2001. The average household headed by a 33–44-year-old was $80,000 better off, and the average household headed by a 65–74-year-old was $215,00 better off. Meanwhile, people aged 25–34 had less

wealth (Daley & Wood 2014). Home ownership has also significantly worsened: for young people aged between 25 and 34, it fell from 51% in 2001 to 37% in 2018. Most of the growth in household wealth is in property and superannuation assets. Alongside the housing boom, compulsory superannuation and tax benefits that encourage further superannuation contributions have substantially increased the wealth of households nearing retirement (Collard 2000). In the context of the federal government's superannuation drawdown scheme, under which more than 500,000 people under the age of 35 have withdrawn money from their superannuation accounts, policymakers are currently failing to consider the long-term consequences of short-term fixes. After taking into account inflation and the cost of living, a 25-year-old who withdraws $20,000 now will be between $80,000 and $100,000 worse off in retirement. A 35-year-old who withdraws $20,000 will be at least $65,000 worse off. Industry analysis has shown that the aggregate loss of savings for Australians under the age of 35 is more than $44 billion. The impact of this policy decision on the nation in the long term will be devastating.

One argument sometimes raised to justify policy that entrenches intergenerational inequality is that increased wealth for older Australians will trickle down to younger generations through intergenerational gifts and bequests to children (Wood & Griffiths 2019). However, those larger inheritances are more likely to go to those who are already well off. If a generation does relatively well, the inheritances that its members leave to their children in fact increase inequality in subsequent generations and exacerbate intragenerational inequality (Daley & Wood 2014). Ultimately, this will widen the gap between young people whose families are in a position to support them compared to those whose families aren't. Alongside its budgetary impacts, that erodes much-needed social cohesion within the younger generation.

> **The Covid recession has supercharged intergenerational inequality in Australia. As a critical priority for the coming years, policymakers must evaluate the scarring effects of an economic recession on the youth labour market and develop appropriately adapted labour market interventions to address the widening ravine in outcomes.**

Otherwise, intra- and intergenerational inequality will calcify the most egregious gorges of inequity in Australia resulting from a negligent failure of leadership at a critical time.

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Climate smart recovery

Zali Steggall MP

It's been a challenging year—bushfires, drought and now the shadow of the coronavirus hanging over the global economy. There's no doubt that many aspects of our lives have changed and will continue to change.

Despite the obvious disruption to the health system, our social lives and the economy, the pandemic is also giving us an opportunity to look to new ways of doing things, including shifting to a net-zero emissions economy.

If properly embraced, those shifts will unlock productivity and environmental benefits over the medium to long term, but to drive those outcomes we'll need underpinning policy frameworks and fiscal support.

Australia has started to emerge from the acute public health phase of the Covid-19 crisis and is now moving into a protracted economic recovery phase. The Australian Bureau of Statistics estimates that more than 480,000 jobs have been lost during this pandemic so far (ABS 2020).

In June, a survey of 22 economists was published. The economists broadly agreed that unemployment would remain higher than 7% for the next several years (Martin 2020).

Economists are suggesting that we may need successive stimulus packages to return confidence and to support demand, business investment and growth. Simply put, there'll be no V-shaped recovery.

Hard work, hard heads and creativity will be needed to lift to lift us out of this.

The Australian Government is right to be fiscally prudent in maintaining healthy debt levels but, if we must inject more money into the economy (and circumstances may require that), we should only support 'climate smart' stimulus measures that allow us to boost growth and employment and reduce our emissions at the same time.

We must do both because we know that climate impacts are accelerating. Professor Tom Kompas at the University of Melbourne projected that, if we fail to meet the temperature goals of the Paris Agreement, the Australian economy will suffer $2.7 trillion in cumulative damages over the next three decades (Kompas 2020). We had a glimpse of those costs last summer, when they ran into the billions and left memories most Australians would wish to forget.

If we don't, the combination of the virus and the climate crisis will be a fiscal and debt hangover the likes of which the world has never seen. Prudent fiscal management will therefore address immediate economic problems while also having an eye on the issues of the future.

Fortunately, if we do both, we stand to benefit.

A recent study from Oxford University—of which noted economist Joseph Stiglitz was a co-author—looked at more than 709 stimulus programs proposed or implemented after the 2007–08 global financial crisis and interviewed more than 230 experts. It found that, for every $1.6 million invested in clean technology projects, 7.5 jobs were created, compared to 2.7 on fossil fuel projects (Hepburn et al. 2020).

Another paper, published in *Nature*, found that a strong global climate-smart stimulus—approximately 1.2% of GDP-equivalent spending going to low-carbon energy—could reduce emissions by 52% by 2030 and have a roughly 55% chance of keeping warming to roughly 1.5°C (Forster et al. 2020).

It isn't surprising that many stakeholders have joined the call.

The *Investor Agenda*, representing members with $35 trillion in assets, stated in May that 'longer term economic stimulus spending needs to focus on supporting green industries and infrastructure, and avoid further carbon lock-in,' and that 'the path we choose in the coming months will have significant ramifications for our global economy and the generations to come' (IA 2020).

The International Monetary Fund (IMF) also put the call out to politicians, stating that these parallel crises call 'for fiscal policymakers to "green" their response to this crisis to prevent one crisis leading to another' (Zhang 2020).

But what does that look like?

The IMF provided criteria for stimulus measures that include a focus on renewable energy and modernising the grid; public transport; building out teleworking digital infrastructure; developing new technologies such as hydrogen and batteries; and adaptation measures such as flood protection, resilient roads and buildings.

And we have a road map.

The EU is setting the standard for the climate-smart stimulus. In June, it passed its seven-year budget, 30% of which will be for climate-smart initiatives. It has also earmarked a carbon border adjustment mechanism for 2023 and an EU emissions trading scheme for later this decade.

For Australia, there's already work being done. Beyond Zero Emissions released a report detailing a sector-by-sector breakdown of the jobs opportunities that would be created through stimulus aimed at mature clean technologies in Australia—technologies such as solar, electric vehicle charging, energy efficiency and battery manufacturing (BZE 2020). The report estimates that we could put 355,000 people per year in work while modernising the Australian economy. Many of those projects can also be done quickly, in under two years.

We could be back on track by 2023.

These initiatives could be funded through the Clean Energy Finance Corporation and the Australian Renewable Energy Agency, which will require certainty of funding through to 2030 and broader investment mandates.

At the very minimum, our regulatory settings should help drive investment. The government should focus on regulation that marshals investment into specific areas.

We need to:
- push forward with energy market reforms, such as the five-minute settlement rule, that will accelerate investment in the energy space
- think about updating mechanisms such as the long-term renewable energy target to assist investment and provide lower energy costs

- put in place vehicle emissions standards based on those of the EU
- limit the development and extraction of fossil fuels and instead focus on reducing regulation on ventures that could boost the extraction and processing of 'future minerals' such as lithium and cobalt.

In order to leverage public money, we need private capital. However, following years of partisan political fighting, investors are rightly uncertain and cynical about the trajectory of climate-aware investment in Australia. Investors will require a stable bipartisan framework to make their decisions.

The opposition leader, Anthony Albanese, has made overtures to the government on energy and climate policy. He stated that Labor would come to the table on climate and energy policy and that it was open to a mechanism and framework to put the debate behind us. Any overture for bipartisanship should be supported.

Early this year, I released a draft climate Bill that will provide a bipartisan framework, should it be enacted. The proposed Climate Change (National Framework for Adaptation and Mitigation) Bill 2020 could be endorsed by the two major parties.

Although the introduction of the Bill was put on pause due to the pandemic, it will be introduced in November this year.

The history of the Bill

This Bill isn't revolutionary, in that it's modelled on the UK's Climate Change Act 2008, which has been in force for over 10 years, as well as the New Zealand Climate Change Response (Zero Carbon) Amendment Act, which came into force late last year.

Since the UK enacted its Climate Change Act, it has managed to put climate politics behind it. Symbolic of how far the UK has come, the Conservatives intend to use decisive climate action to reassert their bona fides on the world stage after Brexit.

The UK has also implemented several climate-smart initiatives, such as a £2-billion 'green homes grant' to fund home efficiency improvements and a further £1 billion to make schools more energy efficient.

We can emulate that in Australia.

An independent climate change commission

To be effective, Australia needs an independent arbiter to guide policy and provide crucial accountability. The Climate Change (National Framework for Adaptation and Mitigation) Bill proposes the establishment of a climate change commission to advise the government on policy setting and reporting based on the advice of experts, including on business and economics.

We have a body like that: the Climate Change Authority. Unfortunately, it's no longer listened to by the government, so we need to start afresh.

The new commission would have stronger powers than the current Climate Change Authority. First, the legislation would mandate that the government consider the advice and recommendations of the commission on setting climate policy. If the government rejected the advice of the commission, it would

have to provide a statement of reasons clearly outlining why. Second, the legislation would empower the commission to report on and review government policy without a referral by the responsible minister.

Net-zero target

The legislation would also establish a statutory net-zero emissions target, to be achieved by 2050.

This isn't new. Investors and businesses are increasingly considering climate-aligned targets for their portfolios, including net-zero emissions by 2050. The states and territories also all have net-zero targets in either legislation or policy. By having the goal in a federal statute, you could be confident that the government is heading in the right direction.

Importantly, the target has the ability to be ramped up if there are significant changes in the science, global action and technology.

Five-yearly budgets

The legislation would establish a process to meet the net-zero target by 2050 by requiring the setting of five-yearly emissions budgets, based on advice from the commission. This would create the conditions necessary for business to plan and invest over the medium and long terms.

To meet the emissions budgets, the government would need to provide five-yearly emissions reduction plans one year in advance to parliament to allow for added scrutiny. The plans would be multisectoral, dealing with energy, agriculture, waste and so on.

National risk assessment and adaptation plans

Economists are saying that potential climate-change impacts are generating significant uncertainty for charting the way forward in our economic recovery.

In June, the Chief Economist at the Australian Industry Group, Julie Toth, said that, without government action on adaptation to climate change, the best we can hope for is partial recovery of the growth we've lost to this pandemic.

It's important that the community and business understand the full extent of those risks. The Bill, if enacted, will require the commission to provide regular risk assessments that will identify risks across Australia's economy, society and environment, to which Australia will need to respond.

The government will be required to develop adaptation plans, setting out its priorities in addressing those risks.

Transparent monitoring, reporting and accountability

Transparent monitoring and reporting will give businesses and investors adequate information on how the government is preparing for a net-zero emissions economy.

The new commission would report annually on Australia's national and sector emissions progress against targets, the extent to which the Australian adaptation and mitigation plans are being delivered, and the extent to which their objectives are being met.

Conclusion

> **Taking regulatory steps to future proof the Australian economy will benefit us now and into the future. Many have said that they support climate action. This is the time to show it.**

This Bill, with its core components of a net-zero emissions target, emissions budgets and plans, risk assessment and adaptation and an independent commission, would provide the framework that will help our recovery and drive the investment needed to transition to a net-zero emissions economy.

A strategic goal, guiding principles and a mechanism for monitoring the transition are required. They will be established through the proposed legislation and will be foundational to our economic recovery.

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Green-led investment key to economic recovery

Libby Coker MP

Global warming impacts

Despite the global pandemic dominating our headlines in 2020, we must not forget that climate change is the biggest threat to the sustainability of our planet, and our global home.

The catastrophic black summer bushfires of late 2019 and early 2020 here in Australia have had a devastating impact on our wildlife, habitat and communities, killing 34 people and more than 1 billion animals, pushing many species to extinction, destroying millions of hectares of bush and farmland and razing thousands of homes.

Now, in the aftermath of such devastation, we see it mirrored in the ferocious fires still sweeping through California.

The scientific link between those bushfires and climate change is clear.

For the past six years, Australia has recorded its hottest temperatures on record. The extremely hot and dry conditions, leading to severe drought in many regions, have made it unsafe to conduct the usual scale of hazard-reduction burns that mitigate bushfire risk.

The summer of 2020–21 is predicted to be another record-breaking season of extremely hot and dry weather. In Australia, we really are at the coalface of climate change—metaphorically and literally.

Scientific data predicts that, under current policies, the world is headed for more than 3°C of warming—a rise in temperatures that would cause devastation to our ecological systems. To limit global warming to 1.5°C, global emissions would need to reach net zero by 2050. This means transitioning away from coal and gas to renewable energy.

We ignore climate change at our own peril. The Reserve Bank of Australia, along with more than 60 other central banks, has sent a stark warning to the Australian Government: if climate policy ambition isn't increased, the world can expect global GDP to fall by 25% by 2100. In a post-Covid world, our priority must be to take strong and immediate action on climate change. It's the most urgent and significant challenge the world is facing.

Investment in renewables creates jobs and a robust economy

As we plan for economic recovery, now is the time for our nation to seize the moment and aim for net zero emissions. The Million Jobs Plan released by the energy and climate think tank Beyond Zero Emissions estimates that hundreds of thousands of new jobs can be created each year through projects to decarbonise the economy (BZE 2020).

This could help Australia rebuild an economy reeling from the effects of the pandemic and set up future generations for productivity and growth. This transition to clean energy will create jobs and cut power costs. There can't be a more compelling argument for investing in green energy than this.

Governments play a role in direct investment in renewable energy through, for example, the construction of energy-efficient social housing and infrastructure projects such as the introduction of electric public transport.

The Morrison government hasn't made renewable energy a priority for Australia's future, and Energy Minister Angus Taylor has called for a gas-fired economic recovery. Promisingly, and despite the government's resistance, there's support for investment in renewable energy by industry, banks, energy companies, unions and wealthy investors (Morton 2020a, 2020b).

Clean energy is getting cheaper

The arguments against moving to 100% renewables in the medium-term future are rapidly running out of steam. Labor is committed to a target of net zero emissions by 2050—in line with our commitment to the Paris Agreement—and I'm hopeful that we'll get there earlier. But, to do so, we need all levels of government working together to create a legislative and economic landscape that enables investment in renewables.

Energy is essential, and thinking we'll use less energy globally, especially as the developing world lifts its living standards, is naive and dangerous, so we need to find non-carbon forms of energy—energy that's clean and sustainable.

Estimates of what we thought possible or what the cost of renewables might be a decade from now are being smashed as the technology learning curve takes on an ever-steeper trajectory. A learning curve describes technological progress (measured generally in terms of decreasing costs for a specific technology) as a function of accumulating experience with that technology. The learning curve for renewables is just beginning, while the learning curves for coal and nuclear are well and truly over.

For example, only a few short years ago the cost of a solar panel was many times what it is today. Technological advances, combined with demand, have brought the price down. We're now seeing the same with battery technologies.

The result is a mix of new-build solar and wind available at around $50–60 per megawatt hour (Mwh), excluding storage (ARENA 2020). The price will continue to fall as both solar-panel and battery technologies improve.

Meanwhile, building new coal power plants is increasingly expensive because coal power is at the end of its learning curve and there's now an increased 'risk premium', causing investors, banks and insurers to give the industry a wide berth.

The cost of new-build nuclear power is double that of coal, at around $290 per Mwh. Then there's the added environmental problem of the toxicity of the spent fuel and the risks that nuclear materials will find their way into weapons.

The panacea recently proposed by the nuclear industry is the small modular reactor, but those reactors don't exist yet—they're simply designs on paper. The first prototype isn't scheduled to be finished until the late 2020s and, even if the design worked in the real world, it wouldn't be commercialised until well into the 2030s or even the 2040s. So nuclear power is too toxic, too expensive and too slow.

Power prices are beginning to fall as renewable power enters the national electricity market. The national market regulator—the Australian Energy Market Operator—indicates that contracts that will be bought this year and in 2021 have decreased in price by between 13% and 17%. That estimate was before the fall in demand caused by Covid-19 (Ziffer 2020).

So, even if I were technology neutral (which I'm not), I believe that an energy future based on renewables is an obvious choice.

At this stage of the learning curve, there are problems with system balance, as we replace a single source of baseload power with multiple sources of renewable energy that may come and go in the system.

Until that issue is resolved over the next decade or so, there will be a need for some baseload power in the system for peaks, as the system transitions to 100% renewables. That will largely be the role of natural gas (but not fracked gas). We also need to spend billions on renewing an ageing energy grid that's no longer fit for purpose as large-scale solar and wind systems are built and households increasingly want to feed energy into the system.

We do have a long way to go, as only less than a quarter of NSW's and Victoria's power is currently derived from renewables. In Western Australia, it's just under 10%. In Queensland, only 13.2% of power is derived from renewables. Only South Australia and Tasmania—with around 50% and 94%, respectively—produce most of their electricity from renewable sources (DISER 2020).

I'm pleased Labor has made the commitment to upgrade our ageing energy grid to enable the uptake of renewables. The strong commitment by leader Anthony Albanese to rewire the nation would drive down power prices and create thousands of new jobs, particularly in regional areas like my own in Corangamite.

Australia can, and should be, a renewable energy superpower.

Hydrogen is our hero

Renewable energy salvation may come in a form other than solar, wind and waves.

In an address to the National Press Club, Australia's Chief Scientist, Dr Alan Finkel, lauded the emerging 'hero'—green, clean hydrogen. This is an energy source I wholeheartedly support.

There are two ways of producing hydrogen by splitting water. Using coal or natural gas is one method, but it's flawed because it produces 'dirty' hydrogen, emitting carbon dioxide as a by-product.

Clean hydrogen is produced via electrolysis using renewable energy, without 'dirty' by-products.

Japan and Korea are leading in this space, and hydrogen is now at the centre of their strategic energy plans.

For Australia, hydrogen could become a lucrative export industry, replacing natural gas, which, at $50 billion per year, as our third largest export after coal and iron ore.

With an abundance of renewable sources in the form of solar and wind and—in the right parts of Australia—water, the value of hydrogen as a fuel to complement solar and wind is inestimable. And there are so many uses for it, from fuelling our road transport, to replacing natural gas in homes and to powering industry.

Recently, Australia's Chief Scientist spoke of the work being done to replace coal with clean hydrogen in steel manufacture:

> The use of coal in steel manufacturing is responsible for a staggering 7 per cent of carbon dioxide emissions. Persisting with this form of steel production will result in this percentage growing frustratingly higher as we make progress decarbonising other sectors of the economy.

> Fortunately, clean hydrogen can not only provide the energy that is needed to heat the blast furnaces, it can also replace the carbon in coal used to reduce iron oxide to the pure iron from which steel is made. And with hydrogen as the reducing agent the only by-product is water vapour. (Finkel 2020)

A May 2020 report by the Grattan Institute—*Start with steel*—predicts that Australia has a historic opportunity to produce green steel with our abundant solar and wind resources, using green hydrogen to replace metallurgical coal.

According to Grattan, capturing 6.5% of the world steel market would mean around $65 billion in export revenue and 25,000 jobs in NSW and Queensland—more than enough to replace those jobs lost in coal (Wood & Dundas 2020).

Adding weight to this, last November, German steel giant Thyssenkrupp—one of the world's largest steel producers—successfully ran a steel furnace completely powered by hydrogen. The company says it will be running three furnaces entirely on hydrogen by 2023, on target to achieve its commitment to a 30% reduction in carbon emissions by 2030 and net zero emissions by 2050 (Thyssenkrupp 2019).

However, Germany is phasing out coal production by 2036, and it's likely, once hydrogen becomes widely available as a technology, that European countries will put tariffs on polluting energy imports such as Australian coal, incentivising manufacturers such as Thyssenkrupp to accelerate plans to move away from coal.

Here in Australia, we're on the cusp of implementing hydrogen as a replacement for electricity and natural gas.

In Western Australia, the Shire of Shark Bay is working with Horizon Energy to build a hydrogen power plant to provide electricity to the small town of Denham.

To produce the hydrogen, water will be split using a 500-kilowatt solar farm. The hydrogen will be stored in fuel cells for access by up to 100 houses and businesses. Excess solar energy will be fed into the grid that will work in tandem with the town's four wind turbines.

From 2025, Horizon Energy will cease the provision of new diesel-powered generators. Instead, the Shire is hoping to roll out the renewable program—powered by hydrogen, solar and wind—to other regional towns.

There are dozens of projects around the country featuring hydrogen. Some aim to make natural gas more effective and go further by mixing it with hydrogen.

The Tonsley technology hub in Adelaide's south has installed a hydrogen electrolyser that's powered by renewables. The $11.4-million demonstration model will produce up to 480 kilograms of hydrogen per

day, supplying 700 Mitchell Park homes with a blend of up to 5% renewable hydrogen through the natural gas network.

The Queensland town of Gladstone is embarking on a feasibility study for a green hydrogen plant that would see the town powered on a 10% blend of hydrogen and natural gas. Gladstone has three other proposals to develop large-volume hydrogen plants such as Austrom Hydrogen, which aims to produce and export 200,000 tonnes of green hydrogen per year.

Under the guidance of the Chief Scientist, the federal government and all states and territories (the COAG Energy Council) signed off on the National Hydrogen Strategy in late 2019 (COAG 2019).

The strategy, identifying 57 joint actions grouped in eight themes, aims to position the Australian hydrogen industry as a major global player by 2030 (COAG 2019).

The Clean Energy Finance Corporation (CEFC) will reserve $300 million (in the Advancing Hydrogen Fund) for hydrogen projects, and the Australian Renewable Energy Agency (ARENA) will reserve $70 million to kickstart electrolyser projects. The government's commitment to hydrogen is more than $500 million (CEFC 2020).

That investment pool is welcome, but the CEFC and ARENA funding isn't new or additional—it's simply reserved specifically for hydrogen from funds that already go to renewable projects, including hydrogen.

If hydrogen is to be developed quickly for domestic consumption and as an export industry, we need double and triple that investment, particularly in the context of post-Covid recovery.

Hydrogen as a fuel isn't just a fanciful idea. It's here, it's real, and it can be a major step forward in tackling climate change, creating thousands of clean new jobs and helping Australia's economic recovery.

We've nothing to lose and everything to gain.

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The domestic matters

Policy after neoliberalism

Adam Bandt MP

In successfully responding to this pandemic, Australian governments did some unexpected things. Governments put scientists ahead of vested interests. The wellbeing of Australia's peoples was put ahead of a budget surplus. The public healthcare system was exalted.

This is worthy of attention because these are the very things that neoliberalism has systematically attacked for the past four decades. To get through the crisis, neoliberalism had to be shunted aside. The question now is whether neoliberalism will snap back or whether things might now be done differently, because our security as a country—indeed, as a species—relies on us now taking a new path out of the multiple crises we're experiencing.

Neoliberalism has dominated Liberal and Labor thinking for the best part of 40 years. Deregulation, privatisation and the winding back of the social welfare state are all hallmarks of what in Australia was also called 'economic rationalism'. But, too often, the 'small government' rhetoric of the reborn 'free marketeers' was taken at face value. In reality, however, neoliberalism has always required a strong state. It takes effort to break apart the things societies have built up, such as electricity grids and healthcare systems, and force people to compete in the market for what was once shared in common. The 2005 Work Choices Act ran to hundreds of pages, for example, and there are reams of legislation forcing electrons to compete in an artificial 'electricity market'.

Also, the Australian public has never really taken to the 'marketisation of life' pushed by neoliberalism. Polling has persistently shown that people want the basics of life to be in public control and the public good to be put ahead of corporate interest. Neoliberals have thus had to wage a culture war to try to convince us that we can't and shouldn't prioritise the common good, that government is only there to force people to compete in the market and not to guarantee the basics of life. 'There's no alternative', we were told by the corporate elite that helped wage that culture war from the beginning, from mining chief Hugh Morgan providing seed funding for the Centre for Independent Studies to Shell Australia providing secretarial services for pro-neoliberal groupings of politicians and business leaders (Cahill 2004). They sought to remove the redistributive functions of government in order to protect vested interests. Ignoring or attacking science, particularly that which justified environmental conservation, was all part of the game and helped provide cover for their opposition to the kind of market-based policies that on face value they ought to have supported, such as a price on carbon.

More recently, as it becomes apparent that so-called 'free marketeers' rely as much as any socialist on big government, such as with the current government's push to bankroll gas corporations or support coal-fired power stations, the strong state of neoliberalism is peeking out from behind the curtains. It isn't government that neoliberalism has in its sights, but values such as equality and care. As Richard Denniss (2018) states, 'the neoliberal war on government and tax is, in reality, a war on democracy.'

Under neoliberalism, as the guarantees of life are removed and everything becomes more contingent, from worrying about whether you can fund your retirement to competing in the 'housing market',

insecurity becomes the norm and anxiety and dislocation rise. It's this dislocation that can feed the rise of demagogues—something that the Australian people seem to intuitively know. The centre of gravity of Australian opinion rejects individualism in favour of broader social guarantees—something neoliberals constantly struggle with. In Australia, the Coalition must pledge full support for Medicare to even have a chance of winning an election, whereas the current US Democratic Party presidential candidate can't even make the same promise. But, as we've discovered during this pandemic, not only does a strong and universal healthcare system help keep us more equal and democratic, but it keeps us alive and secure.

Covid-19 has exposed neoliberalism's frailties even more clearly. Where Australia has stumbled in response to the pandemic, it's often where neoliberalism has manifested, such as in excluding casual workers from JobKeeper, using private contractors to run hotel quarantine, failing to regulate for-profit aged care, or allowing the market to dominate in housing supply so that public housing has been treated as a low-quality, residual solution for people in housing need, where a virus could spread rapidly through overcrowded and poorly maintained buildings. But Australia, like most of the rest of the developed world, also stumbled in the early days of Covid-19 because we hadn't heeded the advice of scientists and hadn't adequately prepared for a pandemic.

The lessons here are clear. We must put science at the centre of policymaking at the same time as we put care at the centre of political strategy. We must do this not just to prepare for the next pandemic but because the next emergency that scientists are warning us of is already here, threatening our health, our security and our species' very existence. For all the deprivations brought about by Covid-19, they pale beside the looming impacts of the climate crisis.

Science and security

It's difficult to overstate the climate crisis. The planet has already warmed by over 1°C. Parties to the Paris Agreement agreed to aim to keep global warming well below 2°C while still aiming for 1.5°C. The current Australian Government's targets are consistent with 3°C of global warming, and the Bureau of Meteorology has confirmed to the Senate that Australia is likely to warm by up to 4.4°C on current global targets (Waters 2020). If we don't take urgent action in the next decade, we're set to start a chain reaction and pass tipping points that will make those bleak futures a reality this century. That is, during the lifetime of today's primary school students, the planet may become uninhabitable for more than 1 billion people.

The conflict, dislocation and terror that will involve, at home and in our region, are almost unimaginable. Retired Admiral Chris Barrie explains that:

> Climate change works as a threat multiplier—it exacerbates the drivers of conflict by deepening existing fragilities within societies, straining weak institutions, reshaping power balances and undermining post-conflict recovery and peacebuilding. (Barrie 2019)

Retired army major, Michael Thomas, sets out what this means:

> Rising emissions will result in a more unstable and insecure world that will have far-reaching human, national and international security consequences. Military forces—as in the current bushfire crisis—will be increasingly called upon to respond. Limits will be reached and then stretched when multiple climate crisis events occur simultaneously … (Thomas 2020)

Covid-19 has shown us that science is as important—and perhaps more reliable—a predictor of threats to our safety and way of life as military intelligence or geopolitical analysis. Yet Covid-19, and last summer's bushfires, have also shown us that we aren't prepared for the non-military threats that scientists, and now defence experts, are warning us of. It's also unclear when and how the defence and security apparatus integrates with civilian emergency services in response to those threats. Researchers from Flinders University, who are undertaking a study into climate risk and national security funded by the Department of Defence, have outlined how important it is that we get our act together:

> Australia will struggle to maintain its national security in the face of climate change unless government departments and agencies are well coordinated and can work collaboratively with neighbouring countries in the Indo-Pacific region. (Bawden 2020)

General Angus Campbell, the Chief of the Defence Force, has warned of the threat posed by climate change and that 'deploying troops on numerous disaster relief missions, at the same time, may stretch our capability and capacity' (Clarke 2019).

The 2020 Defence Strategic Update acknowledges these climate-related risks and states that 'disaster response and resilience measures demand a higher priority in defence planning' (DoD 2020:16). But that priority isn't reflected in the Force Structure Plan, which largely rolls over the procurement program from the *2016 Defence White Paper*. The bulk of the $270 billion spend over the next decade will be on heavy hardware needed to integrate with the US during a high-intensity conflict, rather than that which is suited for humanitarian assistance and disaster relief in our region.

Our defence strategy, when looked at through the lens of dollars spent, fails to heed the advice of scientists and prepare for the threat multiplier that's climate change. Australia is embarking upon the biggest increase in defence spending outside of wartime. Yet we aren't prepared for the biggest threat facing our region.

Once again, neoliberalism has had a pernicious influence. One of the hallmarks of the doctrine has been the widening of the scope of trade agreements beyond tariffs and quotas and into areas of domestic policy, including government procurement. Australia has been an enthusiastic subscriber to trade agreements that include 'non-discriminatory' clauses in relation to government contracts that prevent governments from preferencing local suppliers. The effect of this has been to limit the capacity of government to implement industry policy through its own purchasing power.

But defence spending is exempt. The result is that the 2016 White Paper was not only this government's defence policy, but also its most potent industry policy. A new breed of rent-seekers has arrived in Canberra ready to take advantage of the largesse. Arms manufacturers that until relatively recently kept a low profile are now hiring ex-ministers and enlisting local members in support of their contract bids.

This is giving rise to a US-style distribution of the armaments industry whose 'influence—economic, political, even spiritual—is felt in every city, every Statehouse, every office of the federal government' (Eisenhower 1961). Instead of assessing what equipment we need to deal with the threats we face, and assessing the opportunity cost of any expenditure, parliamentarians are increasingly cowering to the

might of the military–industrial complex, and defence spending is being turned into barrels of pork as much as any other area of government spending. Evidence-based policymaking is once again the loser.

Parliament needs help

The impacts of climate change are complicated, and the ramifications of climate change for defence and security policy doubly so. It's the job of parliamentarians to get their heads around complex policy matters, and parliamentary processes are meant to facilitate that.

But parliament's consideration of defence and security policy has become paralysed. As the two establishment parties have reached a closer and closer consensus on matters involving the military, so, too, has the space for debate diminished. Bipartisanship on defence and security might be superficially comforting, but it leaves little room for questions to be asked. And without questions being asked, decisions need not be justified. It's a slippery slope from there.

The integration of scientific evidence with defence and security planning, including in preparation for the climate emergency, would benefit from the establishment of a Parliamentary Defence Office, similar to the Parliamentary Budget Office established by the Greens through the power-sharing agreement with the Gillard government. This is an idea put forward by former army captain James Brown, who sees a role for a 'body that can equip parliamentarians to discuss national security policy' (Brown 2016).

The Parliamentary Budget Office has been an important tool for non-government parliamentarians to understand the implications of and advocate for alternative policies. The provision of similarly objective and expert analysis on questions of military strategy and spending, by dedicated staff in a parliamentary office at arm's length from the political process, would only increase the chances of parliamentarians making decisions on the basis of evidence.

Conclusion

Neoliberalism is marked by an utter care-lessness. The caring role of government—to care for people, our planet, our existence—has been systematically trashed. And it has sought to render unthinkable any idea that government might intervene in social or global life to increase security by increasing equality. The one thing government should be able to do—help guarantee the very conditions of life itself—was ruled out of bounds.

But Covid-19 has reminded us that the force of nature trumps political ideology. The climate emergency is and will be a force of nature of a kind that we've never seen before. We need to listen to the scientists who are determining the objective truths about climate change. What they're telling us matters for everything, and the implications for defence and security are enormous.

We must also uphold and defend democracy from the 'wrecking crew'—those who vandalise the state in order to hold on to power (Frank 2008). We need the apparatus of government to work in order to be able to take evidence-based action.

And we must challenge the wisdom of entering and escalating a Pacific arms race while leaving ourselves underprepared for regional humanitarian assistance and disaster relief. 'There is no more than a remote chance of a military attack on Australian territory by another country' (DoD 2016:32), but

climate-change-fuelled bushfires and a global pandemic have happened this year, and scientists are telling us that we're in for more of the same.

The climate emergency is a 'known known'. A war in the Indo-Pacific isn't. The rational response in the face of this evidence is to put care—for each other, our way of life and our planet—at the heart of strategy and science back at the heart of policy.

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Beyond complacency: Australian social democracy after the pandemic

Senator Tim Ayres

Thirty years of uninterrupted economic growth and decades of an essentially benign geopolitical environment have been squandered by complacency and wishful thinking, particularly in the seven wasted years of the Abbott, Turnbull and Morrison governments.

That complacency has been evidenced in diminished economic capacity and complexity, a weakening of Australian democratic cohesion and institutions and a lack of readiness for a rapidly shifting regional security and geopolitical setting.

Australia has been sheltered in the region under the US security umbrella while being perfectly positioned, particularly in our resources, agriculture and higher education sectors, to meet the demands of a rising Chinese economy. Australia was in the right place at the right time.

Debate about Australia's security and place in the world over the past seven years has largely been remote from any consideration of our declining industrial capability and social cohesion and has been situated in a very narrow conception of our national interest. The Covid-19 public health and associated economic and social crises have laid bare the weakness of that approach.

It's time to jolt out of this complacency and adopt an Australian statecraft that aligns our domestic policy and institutional arrangements with our approach to global and regional action in a broad and inclusive conception of our national interest.

In aggregate terms, the Australian economy has, until the last five years grown hand over fist, but that growth hasn't been evenly distributed. Cracks have appeared in the social contract that underlined the original Australian settlement as stark divisions opened up between outer urban and regional communities that have lost good jobs and industries and the inner urban areas, where good new jobs and opportunities have been concentrated. The wage share of income has declined to historic lows.

Even that weakening aggregate growth stalled before the coronavirus pandemic. Sustained low wage growth, a hollowed-out labour market and falling labour productivity rates were already setting the path to a meaner, less capable Australia.

Decades of growth were accompanied by a process of deindustrialisation that was more rapid and more comprehensive than in any other advanced economy. Nowhere was complacency more apparent than in the Abbott government's deliberate and successful effort to offshore the Australian car industry. As a result, the country has seen a precipitous decline in economic complexity, falling from 57th to 93rd in the Harvard Atlas of Economic Complexity between 1994 and 2017.[1] While more complex and sophisticated economies, such as Germany, have recorded sustained manufacturing trade surpluses with China, Australia records the worst manufacturing deficits in the OECD.

Deindustrialisation has had broad consequences. For one thing, it's been geographically concentrated: it has hurt Australians in our regions and outer suburbs more than anyone else, with consequences for social cohesion and support for democratic institutions. But the collapse in economic complexity and resilience also has consequences for the broader national interest.

As Paul Kelly set out in 2007:

> Australia's success in the world will be a function of its success at home. The challenge facing
> Australia overall is to increase its capacity … The reality is that in any serious long-run view
> Australia must focus on its weight … (Kelly 2004)

While Kelly was among the cheer squad for the deindustrialisation and neoliberal version of globalisation
that shaped policymaking in the Howard era, surely even he realises that the diminution of national
capability then had negative consequences for national strategic capability now.

Complacency has eroded our national democratic institutions. Satisfaction with Australian democracy
has collapsed in the past decade, from 85.7% in 2007 to 41% in 2017 (Evans et al 2018). That dissatisfaction
has found expression in the steady decline of major-party voting and the emergence of dangerous
US-style ultra-right and nativist ideas, some of which find expression in the national parliament. Instead
of a clear-sighted focus on the national interest, much of the national debate is captured by imported,
shallow, derivative cultural conflicts remote from both the material and the political interests of the
Australian community and our real strategic interests.

Complacency has been felt in our foreign policy and strategic institutions, where the focus on remote
conflicts, particularly in Iraq, has overshadowed important shifts occurring in the Pacific. Australia
ends its 30 years of growth with our regional relationships weaker than they should be. We've neglected
regional institutions, which should have been a stable, mutually beneficial and respectful way to manage,
if not shield against, great-power competition and a source of regional self-determination, strength
and cooperation.

The internal turmoil, unpredictability and 'America first' rhetoric in the US raises questions across the
region and globe about US reliability and has exposed the weakness of Australia's commitment to regional
institutions and relationships. A more assertive China is more active in the region, within and outside the
norms of international order and rules.

Not only is the 30-year streak of economic growth and benign regional conditions now broken, but
Australia now faces recovery from a pandemic in a rapidly changing region, without a credible model of
growth and regional engagement to replace it, and without even considering the impact of climate change
on regional conditions.

The big shifts in Australia's geopolitical environment and the consequent national security implications
require a shift in strategic policy, but they also require a rethinking of our domestic policy framework and
the strength of, and relationship between, key national institutions.

Australia's response to the post-pandemic world must be what David Kilcullen described in 2007 as
'statecraft', informed by a mature discussion about Australia's place in the world and the domestic
institutions and frameworks that can sustain it (Kilcullen 2007). Only with a clear sense of national
purpose, aligning both foreign and domestic policy, can we navigate the increasingly complex and
challenging circumstances that we face.

The Scandinavian model should be instructive. The populations of Denmark, Finland, Norway and
Sweden combined amount to roughly Australia's population. They're democratic nations, open and

advanced economies with strong welfare states and deep attachment to democratic institutions, in a region that includes both Western democratic and non-Western and non-democratic major powers.

Before joining the federal parliament last year, I flew to Helsinki as part of a Labor delegation led by ALP President Wayne Swan. Touching down at Helsinki, the plane taxied past three F-18 Hornets warming up on the runway. My surprise at that open combat readiness in a civilian setting betrayed my ignorance of the fraught geopolitics of the region.

Conversation after conversation with social democratic politicians returned to a consistent theme: our counterparts were very interested in Australia's response to the increasing assertiveness of the People's Republic of China and the intensification of great-power competition in our region.

Preoccupied as I was by the stark differences between the development of the uniquely Scandinavian model and the decline of social democratic norms in the Anglosphere, it took a few meetings for it to dawn on me. Our Finnish, Swedish and Danish interlocutors were interested in our emerging geopolitical position because they saw it as analogous to their own region's postwar development through the Cold War and into a post–Soviet Union 21st century.

Because Scandinavia's geopolitics have been shaped by Cold War conflict between the Soviets and NATO, and because the region is at the fulcrum of tension between the European Union NATO states and the Russian Federation (which shares a 1,300-kilometre border with Finland), self-reliance has been at a premium in strategic and domestic policy.

As we travelled, and the conversations deepened, I began to wonder how much the features of Scandinavian social democracy were shaped by those countries' response to the external threat environment, rather than by the national myth of inherent collectivist cooperativism.

Beyond the well-understood achievements of the Scandinavian welfare state—an excellent public health and education system, high workforce participation, union density, labour productivity, strong collective bargaining institutions, comfortable pensions—the Finns, Danes and Swedes also boast high-wage, high-skill economies with complex exports and a strong, innovative private sector that relies on active government cooperation and a shared sense of national endeavour.

Much of that picture is missing in the Australian context, and that damages our national capability and resilience. Consider for a moment the Scandinavian companies with the largest domestic employment and R&D footprints with global reach: Ericsson, Saab, Scania, Norsk Hydro, Nokia, Electrolux, M & M, Ikea and dozens more in the top tier. They span numerous industries and by their nature add to the complexity of their domestic economies. Go through the same exercise for Australian industry and service capability and you would struggle to identify many global names outside of the mining industry, and even fewer that add to the complexity of our economy.

In the same way that the geopolitical tension of Russia–NATO conflict has shaped the Scandinavian countries, great-power conflicts in our region will necessarily come to shape Australia in the coming decades. We'll need to create our own antipodean model of middle-power regional strategy coupled with a rethinking of Australia's domestic policy settings, from our approach to national institutions such as unions, collective bargaining and the welfare state, to social inclusion and economic development, and to protecting democracy itself.

Our diversity, our role as a regional leader in education and our commitment to democratic institutions will be critical. Those efforts are undermined by narrow, derivative culture-war politics in which far right-wing talking points are imported into our political debate, and that in some cases threatens to shape government policy.

The goal for the centre-Left of politics is clear: Australia must reclaim and update a model of social democracy that's capable of aligning domestic institutions with geopolitical strategy. We've done so before: the Curtin and Chifley governments aligned extraordinary social achievements, the welfare state and postwar reconstruction with extraordinary foreign policy achievements, the defence of Australia during World War II and a leadership role in the establishment of the UN and the broader Western rules-based international order.

There are few easy answers to the big questions facing Australia in the coming decades, but there are opportunities to remake Australian society for the better and to resolve questions of national purpose and identity. After decades of complacency and seven wasted years of the Abbott–Turnbull–Morrison governments, there's much work to do.

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Multiculturalism and Covid

Gladys Liu MP

Introduction

Covid-19 has ground the world to a halt seemingly overnight. While the virus has the potential to affect everyone, the policy responses across the world have been far from uniform.

In Australia, we've been fortunate to avoid the initial rampant uptick in case numbers that was experienced in Europe and America. That was in part due to the federal government's rapid and impressive response.

These are strange times, and they present unique policy challenges.

The measures taken to curb the global pandemic have also served to highlight aspects of our society that no one could fully appreciate in pre-Covid times.

I would like to take special note of the impact that the virus and accompanying policy responses have had on the migrant community.

The importance of our migrant community

In order to understand the impacts of Covid on the multicultural community, it's important first to acknowledge Australia's proud history as a country robustly built upon migration. Indeed, throughout the 19th century, when Australia was a favoured destination for new migrants, it boasted some of the highest GDP growth of any area in the world. After a slowdown in the first half of the 20th century, immigration increased significantly throughout the second half, bringing with it a diversity of new cultures. Today, migrants play a crucial role in filling skills shortages in Australia and running small family businesses, as well as adding immeasurably to our culture.

Evidence suggests Australia has been more adept at welcoming and integrating a wide range of ethnic and cultural groups into our nation than many other countries. As a Hong Kong migrant who moved to Melbourne over three decades ago, I can personally attest to the overwhelmingly positive experience I had when moving here.

Owing to the upheaval caused by Covid, some things have been laid bare. Migration has effectively halted in its entirety, which is likely to have major impacts on the economic output of Australia. But, more importantly, Covid has shown how little government structures know about interacting with our multicultural groups—and that has cost us dearly.

In saying that, I recognise that our government, much like the rest of the world, has had to make some difficult decisions that have temporarily stifled the growth of our multicultural communities.

The economic impact

In the 2018–19 financial year, Australia received 537,800 migrants (ABS 2020). Following the Covid outbreak, international borders were effectively closed, drying up the steady stream of migrants coming to Australia. In April, CommSec projected that 240,000 fewer people would come to live in Australia than would otherwise be the case (CommSec 2020).

For those parts of the economy that depend on people on working holidays, this raised the question: 'Who would fulfill such roles in the interim?'

Thankfully, the federal government quickly implemented measures allowing people to extend their visas to assist Australia in critical sectors.

That said, the panic that ensued after the initial implementation of lockdown served to highlight how important the migrant community is to our economy. Regional towns benefit enormously from international workers through money cycling back into local businesses.

Covid has underscored the essential role that migrants play as consumers supporting Australian businesses. In 2016, there were twice as many Australians who identified as being of Chinese ancestry as there were in 2001. Many small businesses—such as those in Melbourne's Box Hill, where 27% of residents are Chinese-born—suffered immensely when they lost the patronage of Chinese migrants during the Covid pandemic.

Migrants also provide indispensable support to our education sector, as more than a quarter of the total Australian student body are international students. Needless to say, Covid massively interrupted migrant consumption of education in Australia, and the flow-on effects on student spending on accommodation, entertainment, hospitality and the like were severe.

A strong sense of pride

Many of our multicultural communities have a strong sense of pride in being Australian and actively strive to help improve the community they've become a part of.

One of the most touching examples of this community spirit came from the Sikh community during the Melbourne public housing lockdown. While the Victorian Labor government struggled to provide food to vulnerable people not allowed to leave their housing commission flats, members of the Sikh community took it upon themselves to donate food items to fill the gap.

Another inspiring example was reported in June, when the Oceania Federation of Chinese Organisations from Vietnam, Cambodia and Laos Inc. presented the Royal Melbourne Hospital with a donation of more than $37,000 for the hospital's Covid appeal. That came on top of contributions of almost $200,000 earlier in the year towards bushfire appeals.

When it comes to demonstrating their pride in Australia, multicultural communities have really stepped up to the plate in delivering support during difficult times this year.

Communication failures during Covid

Owing to the strong community orientation of multicultural networks, there can be, at times, difficulties in getting messages to those groups. That was evident early on in Victoria's Covid crisis. As governments at all levels—local, state and federal—we need to learn from this. There was a breakdown in understanding when it came to how these communities function.

Traditional news sources weren't able to effectively penetrate the spaces for various ethnic groups. Additionally, the *ABC* reported in August that official messages from state and federal governments in non-English languages were often plagued by translation errors (Dalzell 2020). The Victorian Chief Health

Officer conceded in mid-August that the Victorian Government was still not 'doing enough' to reach multicultural communities (Murray-Atfield 2020).

This problem is compounded when cultural subgroups receive or act on information coming from their home countries, as opposed to following directions put out by Australian governments. Keeping clear and effective channels of communication between Australian governments and migrant consumers should always be a priority.

There have also been problems relating to adequate data collection on multicultural communities. A news item on the website of the *Medical Journal of Australia* explained part of the problem:

> Sociologist Andrew Jakubowicz argues the pandemic has exposed a 'dark data hole' in Australian health records, one that puts multicultural communities at risk.
>
> The National Notifiable Diseases system does not collect data on ethnicity, Professor Jakubowicz writes, and his multiple requests to health authorities have failed to elicit any information on Covid-19 infection or testing rates in different communities.
>
> 'The failure to collect data on cultural background and language leaves potentially vulnerable groups without adequate information, and epidemiologists and public health officials without a realistic sense of the landscape in which they need to move,' he argues (McCredie 2020).

Clearly, any shortcomings in data collection need to be rectified if targeted policies are going to proceed on a proper informational footing.

But we must also look to effective multicultural media sources in Australia to help carry our messages to these people.

In that capacity, *SBS* has been an essential bastion in this messaging battle, and the federal government's funding of the broadcaster has been well placed, as was the $30 million communications strategy rolled out earlier this year. This strategy included translating key information into 63 languages. The Department of Home Affairs has also made contact with multicultural community groups more than 4,300 times nationally since the start of the pandemic.

Crafting post-Covid public policy

While the work of *SBS* and the federal government has been in many respects commendable, the language barrier to multicultural communities is a systemic issue that needs longer term planning focused on cultural and linguistic integration.

> **As a person who immigrated to Australia and set about integrating as fast as I possibly could, it deeply frustrates me when I see others coming to Australia who make little effort to immerse themselves in our community. I'm a firm believer that part of the Australian package should be becoming an Australian.**

This doesn't mean an individual should throw away their unique cultural identity. Rather, I think people should aim to embrace core Australian values while also striving to retain the best of their native cultures, thereby enriching Australia as a whole.

Where to go from here

When I arrived in Australia, I marvelled at the Australian community. People were aspirational, but kind—they understood that by working together we could all thrive and prosper. In return, I took it upon myself to impart those traits to others. I can proudly say that my children now embody those values that I hold high as being truly Australian.

It follows from this that I think policy design for multicultural communities should focus on how to remedy the often harmful insularity of those communities. Policy should aim to integrate everyone into the Australian fold. Of particular importance is ensuring fluency in the English language as the common language through which people of all cultures can meet on equal ground.

This isn't only a matter of ensuring greater social cohesion. An Australian Institute of Health and Welfare report from 2019 notes an association between limited English fluency and poorer health outcomes.

The response from the Victorian Government to its blatant communications failures affecting multicultural communities has been to double down on the strategy of improving foreign language outreach.

That's a short-term band-aid fix for a more enduring problem.

The necessity of learning English

Looking forward over the longer term, making English fluency a top cultural and policy priority will not only make day-to-day citizen-to-government discourse easier but will also reduce the opportunity for communications failures when dealing with future public health crises.

However, government can't solve this problem on its own. I believe that there's a legitimate onus of individual responsibility that falls on all migrants coming to Australia. I entered Australia as a migrant and worked hard to integrate, succeeding both professionally and in raising a family, before eventually becoming a federal politician. It's my hope that fellow migrants are able to similarly prosper—each fulfilling his or her own unique potential and collectively contributing to our great nation.

Building stronger communities

Part of the failure of the Victorian Government's response during Covid was an inability to properly tailor messaging to distinct cultural communities. Different cultural groupings often have different means of receiving and distributing information throughout their communities. Working with community leaders to tailor message delivery to distinct cultural groupings will ensure that we maximise our message reach in the future.

The examples of the Sikh community and the Oceania Federation are just two of many that continue to bolster my firm conviction in the importance of strong communities, but it must be admitted that some multicultural communities are more cohesive, healthy and effective than others. To that end, public policy should be further geared towards encouraging other community groups to replicate successes such as those I've mentioned.

Attracting and keeping skilled professionals

In the light of the inevitable migration restrictions that are likely to continue well into the future, Australian policy should be geared towards facilitating ease of movement, in particular for highly skilled professionals, such as doctors and nurses. Attracting key talent from other countries will be greatly aided if clearer and simpler international standards are put in place to ease professionals' transition and the conversion of licences between countries is made clearer and easier. For example, Australia has become a favoured destination for Irish doctors, owing to our countries' broad similarity in standards. Identifying differences between key high-talent 'feeder' countries to Australia, and how a greater uniformity of standards and conversion processes could be effected, will go some way to rectifying potential post-Covid skills shortages.

For those migrants from non-English speaking countries, ongoing monitoring and integration assistance may also be useful in helping Australia to retain talent in the future.

Conclusion

Covid will be a significant marker in our history books.

It's important that out of this horrific time we can sow the seeds of tomorrow's flourishing. We must stabilise our economy and properly integrate our community—these are the keys to our future.

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Multiculturalism, Covid-19, history and choirs

Graham Perrett MP

Our first two Australian prime ministers were born in Australia. The third, fourth, fifth, sixth and seventh were all born overseas, but then the next eighteen in a row were born locally. Julia Gillard and Tony Abbott ended that run, but few people ever doubted their loyalty to Australia only (irrespective of Mr Abbott's policy on knights and dames). Nearly half the people residing here either came across the seas or have a parent with a foreign passport. This means that most streets will contain somebody with a foreign connection.

For the first 200 years after Lieutenant James Cook hoisted English colours on Bedanug in the Torres Strait, society was shaped by a version of the White Australia policy. Many refugees from China, Indochina, the Philippines and the Malayan peninsula who fled here during World War II were deported afterwards, despite having Australian spouses and children. White politicians trumpeted legislation that targeted such 'half-castes' and kicked them out of 'our' choir. Although Arthur Calwell's intentions were misinterpreted when he famously remarked in 1947 that 'two Wongs don't make a white', that phrase resonated loudly with Anglo-Saxon communities.

More than 7 million people have arrived in Australia since the end of World War II. They have sung soprano, alto, tenor and bass in different languages as we've progressed towards a more harmonious and inclusive society. Labor Prime Minister Gough Whitlam oversaw the national policy change towards multiculturalism. Nevertheless, the racism inherent in earlier 'white' programs favouring European ethnicity lingered still.

Some who counter the obvious benefits of multiculturalism with the cons suggest that it threatens national identity and social cohesion: the 'one choir, one song' notion. Those people talk about Australian values as if those values are monolithic and were always here and always accepted by all. However, it may come as a surprise to them to learn that most First Nations people disagree with that proposition. The Kaurareg people legally asserted native title over Possession Island—the spot where Cook had raised his British flag centuries before. The nation-state of Australia was founded on this shonky duality and ever since the alternative voices have been piling on. For instance, few Irish prisoners-of-war sent to Australia after the 1798 independence rebellion saw themselves as British. Their contrary voice continues on through their descendants.

Throughout the journey from 1788's first governor through to today's 30th prime minister, the Australian choir has evolved. Our strong system of government has been strengthened by many voices. Reviewing the table of nations over the past 232 years shows that weaker systems are threatened, weakened, or both, by the voices of the multitude. The worst countries prefer one country, one system and even one way of thinking. Both of the former are justifiable, but the last is a very dangerous proposition in a rapidly changing world. And it makes for a very monotone song.

How do nations decide on the songs they'll sing? The language the songs are written in is a strong factor. Choirs are also affected by what's taught in school. Although one might argue about the bias and calibre of the canon, it certainly helps to create a shared experience. A people bonds when people learn stuff together.

Community harmony is further enhanced by religious, cultural and sporting groups: Catholics praying together on a Sunday despite coming from 20 different countries; mosques filled with people all pointing in the one direction, even though they're sourced from the four corners of the globe; orchestras creating music without accents. And most weekends it's easy to see sport as this nation's important tuning fork. Religious and cultural pursuits have an important role but they're not as conspicuous as sport. Firebirds fans in their gear or a sea of Broncos jerseys or a wall of Lions colours at a game help unite the disparate. And thus Australia's religious, cultural and sporting organisations work like a mixing desk for our national choir.

Almost one in three people in my electorate of Moreton was born overseas. They come from Afghanistan, China, Egypt, Ethiopia, Eritrea, Hong Kong, India, Kenya, Korea, New Zealand, Somalia, South Africa, South Sudan, Sudan, Taiwan, Uganda, Vietnam, the UK and Zimbabwe. At numerous community events, I've seen mixtures of people talking about religion or culture or sport (Queenslanders often gravitate towards sport). Irrespective of the content, it was the mixing that was crucial. The mixing makes the song we sing. It's the sharing that helps to make this choir that is us.

Australian service clubs such Apex, Lions, Rotary and Zonta provide another way for multicultural communities to mix. They do so while tirelessly working for their charities that benefit society. Unlike country-specific societies such as the Irish Association or Cathay Club, these clubs focus their members on a defined service mission. Race, religion and country of origin fall away as common goals and defined projects triumph. Future projects are planned. The meeting agendas at service clubs are all about hope and tomorrow. And that helps prevent the airing of old grudges connected with old countries.

Covid-19 has severely curtailed the work of community organisations so that the swirling and mixing of cultures is occurring less. The mixing desks are quiet. Virtual gatherings don't sound or look the same. People don't stumble from one silo to another during Zoom meetings. They don't get to talk to the people at the next table and discover that their children go to the same school or play for the same sporting team.

This absence of mixing has begun to foster some bad consequences. Lockdowns and fear have bred an isolationism that extends far beyond health protocols. Because people are missing out on their usual religious, cultural and sporting groups and community events, they're becoming more insular. Moreover, when people don't mix, their reliance on social media increases. Non-mainstream sources of information are accessed more often. Misinformation flows in an environment full of fear. Bad news travels far; fake news travel further and faster.

Go back to where you came from. Who do you think you are? Questions about belonging cross the minds of most non–First Nations people. Roots can be asserted on national days and during cultural or religious festivals, but such events have a clear sunset. Fireworks and national costumes and Guinness and moon cakes are packed away until next year. On the in-between days, the citizens of this country have to work out for themselves how and where and why they belong here.

Some cope by getting fond and sentimental for the Old Country. Being nostalgic and mawkish never hurt anybody, but some become obsessed with the goings-on 'back there'. Facebook and social media are filled with diaspora groups. They share news, gossip and recipes from their countries of origin. Sometimes, this enlivens old fights in a new land. Political differences that motivated a refugee to flee a country can easily be dragged down under. These social media groups also facilitate state actors that wish to spread misinformation, control Australian citizens, or both.

Foreign diplomats are never sent abroad only to service their nations' travellers. Instead, missions are charged with advancing the interests of the mother country. Those interests might be economic, military or diplomatic or maybe even as mundane as massaging how a country is perceived on the world stage. But, irrespective of their national agenda, foreign actors do regularly try to interfere in Australian affairs:

- In 1951, Vladimir and Evdokia Petrov arrived in Australia as Russian intelligence operatives and attempted to infiltrate government departments and political parties by surveilling and infiltrating Russian and Soviet refugee groups.

- In 1977, an Australian Security Intelligence Organisation (ASIO) employee attempted to approach a Polish operative. James Grant's thwarted *folie à deux* seems amusing now, but there have been scarier incursions.

- In 1983, suspected KGB agent Valery Nikolayevich Ivanov was expelled due to claims that he'd tried to recruit former Australian Labor Party Secretary David Combe.

- In 1999, Jean-Philippe Wispelaere, former Defence Intelligence Organisation analyst, approached the Singapore Government to sell secrets.

Many more recent attempts haven't yet been publicly revealed.

The most recent Coalition government Budget allocated $35 million over four years to further counter foreign interference. ASIO and the Australian Federal Police pool resources at the Foreign Interference Threat Assessment Centre and attempt to discern and repel 'acts of foreign interference' (that is, security threats specified in the *Australian Security Intelligence Organisation Act 1979*). They're concerned with diaspora communities. The former head of ASIO, Duncan Lewis, said that foreign actors are 'attempting to clandestinely influence the opinions of members of the Australian public and media, Australian Government officials, and members of Australian-based diaspora communities'.

Many nations monitor their former citizens. The list is definitely not limited to Cambodia, China, Eritrea, Ethiopia, Iran, Malaysia, North Korea, Rwanda, Saudi Arabia, Syria and Turkey. Countries don't need a network of spies in Australia, as social media now let them monitor their diasporas. They don't have to set up online portals to facilitate the flow of information away from our shores, although some do, allegedly (Bagshaw & Hunter 2020). No doubt there are spies in our midst, but there are also people in diasporas who unwittingly support the toeing of the party line. Under the cloak of nationalism and pride in the flag, they might help to suppress dissident voices that the motherland categorises as a source of potential harm. It's also easier to control or guide or motivate a diaspora via misinformation.

Our universities are places where ideas should be challenged. OId beliefs should be questioned rather than blindly followed. Australian universities have a very strong international reputation for academic independence and top-quality research. We punch above our weight in the boxing ring of academia. Much of that record comes from the fact that our students and academics believe it to be perfectly proper for universities to host and facilitate robust debates. Students are really missing out on something if they don't have passionate arguments at university. It's crucial that there's an environment in which people can feel safe to frankly state their case, to be heard, to be disagreed with, and then to know that their views are respected. This country has a long history of exporting protest and questioning to the rest of the world.[1] However, some countries with international students on our campuses can find that rigorous questioning confronting. We're one of the world's oldest and most stable democracies, so the idea of

suppressing dissident voices is anathema to most Australians.[2] Nevertheless, some less mature countries with more brittle political systems see dissident voices as a source of potential harm.

Even when people report accurately back to 'home' about how Australia's democracy and institutions work or how our governments have responded to the Covid-19 pandemic, that might result in pressure being brought to bear on their family members back there. Or perhaps the response will be subtler than inflicting violence on the outspoken; perhaps a gentle encouraging only of more favourable voices, appealing to the loyalty or nationalism of the diaspora; perhaps some ostracising of vocal critics in the community or community groups.

Covid-19 has disrupted the usual natural mixing of voices in our beautiful Australian choir. Six months ago, the pandemic shut down Lunar New Year celebrations—right when the broader Asian diaspora was about to come together in many different ways. This week, I experienced the first larger community event since lockdown, but there were a hundred people in the venue rather than four hundred. There was even a bit of videoconferencing input, which was better than the people who couldn't be there missing out completely.

A choir wearing masks doesn't sound great, but it's better than bad solos in lonely silos or, even worse, silence.

> **Modern multicultural Australia will readjust to a post-Covid world. Our many voices will find ways to combine as one. We have to. Other countries will scheme their schemes and attempt different tunes. However, we're stronger as a nation when we're attuned to such endeavours but not distracted by them.**

Those who seek to divide us know that when times are tough some will easily lean towards blaming the outsiders. That isn't the way to make Australia strong.

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1 Germaine Greer, Richard Neville etc.

2 Unless your skin is dark and you make a seven-word comment on Facebook on Anzac Day.

Foreign interference via social media after Covid-19

Senator David Van

If Covid-19 has shown anything to the Australian public, it's how connected our world truly is. In the space of months, a zoonotic virus was able to spread around the world, infect millions, kill hundreds of thousands and close down parliaments, economies and borders. And it has highlighted the relative roles of federal and state governments.

Covid-19 forced some democratic countries—such as New Zealand—to postpone elections. In Australia, the Victorian Government has effectively prorogued the state parliament and sought to give itself overreaching emergency powers. Given that this virus has wrought havoc on democratic institutions and destabilised civil society, the question needs to be asked: how easy would it be for foreign interference to create distrust in democracy if that were the intended goal?

The general population are likely to think of foreign interference as states attempting to influence democratic elections. However, it's well known in security circles that foreign powers use disinformation to destabilise, disrupt and divide civil societies. Such activities have been in use since the Cold War, and their sophistication and impact have increased significantly since then.

The Senate Select Committee on Foreign Interference through Social Media, of which I'm a member, has considered how foreign state players are taking advantage of digital tools to spread disinformation and undermine our democratic institutions, particularly during the pandemic we're currently experiencing. However, this isn't a new issue; in fact, the committee was set up well before the pandemic to look at the broader issue.

Covid-19, however, has brought the importance of the committee's deliberations into greater prominence. Earlier this year, Australia co-signed a UN statement warning that the coronavirus pandemic had 'created conditions that enable the spread of disinformation, fake news and doctored videos to foment violence and divide communities'.[1] As each of us is forced to lock down in our homes, we're accelerating our use of electronic communications to remain connected to the rest of the world. This leaves society vulnerable to sophisticated campaigns designed to increase distrust, not only of our democratic institutions but, more disturbingly, of each other.

The committee has been presented with numerous examples of foreign disinformation campaigns. Some of those campaigns have been researched in great depth by ASPI and other think tanks. A large number of them have been proven to have originated from state-sponsored players, while others are the work of malicious individuals and conspiracy theorists. Regardless of their origin, they're all toxic to Australian democracy and society.

A report released by Oxford University in 2019, *Global inventory of organised social media*, found that organised manipulation campaigns had taken place in 70 countries, up from 48 countries in 2018 and 28 countries in 2017 (Bradshaw & Howard 2019). As a parliament and a government, we have a responsibility to build a legislative framework that will protect Australia's democratic institutions and maintain Australians' faith in them.

The threat of foreign interference has long been understood by Australian governments. The Petrov affair, as it was known, was uncovered because the government had created the Australian Security Intelligence Organisation (ASIO) in 1949 as a bulwark against foreign interference, which includes but isn't limited to spying. High-profile cases of foreign interference through social media, such as Russian interference in the 2016 US presidential election and the UK Brexit referendum, seem remote to Australians and their daily lives.

However, the threat is much closer to home—one only need look at the disharmony created by movements such as the anti-vaccine movement to see the consequence of disruptive disinformation disseminated by foreign players. As I will no doubt receive inevitable attacks from anti-vaxxers for expressing this opinion, foreign actors win when they influence unrest within the community.

One submission outlined to the committee that 'fake news' publishers prey upon established beliefs and prejudices to spread disinformation (Size 2020). This allows foreign players to use tactics such as clickbait and Facebook groups to distribute disinformation widely on the platform without having to pay for advertising.

We must now upgrade our countermeasures on foreign interference to protect Australians and our democracy. The committee has received a range of policy initiatives that will be carefully reviewed. All options should be on the table as we consider how best to deal with disinformation campaigns. One of the key recommendations is that we consider an international response to such campaigns.

> **Many democratic nations around the world have previously looked at disinformation campaigns and introduced legislative responses. The work conducted by our international counterparts provides a strong platform for Australia to learn from, including by drawing upon established protection strategies when formulating our own uniquely Australian response to online foreign interference.**

In 2018, the European Union developed the Action Plan against Disinformation (EC 2018). The plan sought to improve the capabilities of public institutions to detect, analyse and respond to disinformation, as well as raise public awareness. Importantly, the plan included a code of practice, agreed upon with social media platforms and the advertising industry, to increase online transparency. Last month, in Australia, Facebook rolled out greater transparency measures for political and issues-based advertising campaigns—however, more still needs to be done.

To tackle the prevalence of foreign disinformation campaigns preying on established prejudices and beliefs within communities, many countries have introduced or expanded their own countermeasures. Leading into the 2020 US presidential campaign, the FBI launched Protected Voices, which is an initiative to provide resources to political campaigns, companies and individuals to protect against online foreign interference (FBI 2020). In 2015, the Ukrainian Government implemented its Learn to Discern program in its schools to help students better identify misinformation and foreign propaganda (Susman-Peña & Vogt 2017). Before Canada's 2019 federal election, the Canadian Government invested in several

initiatives to increase the public's digital media literacy, including by implementing activities to critically assess online information and understanding how algorithms work and when they might affect a user's online experience.

Moreover, the need to expand educational programs aimed at increasing people's digital media literacy has also been a common recommendation across the submissions received by the committee.

The Morrison government's announcement in June this year that it will set up a new taskforce to counter online disinformation has been received with great optimism. In announcing the disinformation taskforce, Foreign Affairs Minister Marise Payne stressed that 'The disinformation we've seen contributes to a climate of fear and division when what we need is cooperation and understanding.'

While we, as yet, don't have all the answers to how best we can solve these challenges, we must consider all options and bring Australians, businesses and the public sector along for the journey.

The work of the taskforce, alongside the Senate Select Committee's in-depth review, will be vital to the creation of an Australian regulatory framework on foreign interference through social media. While there are those who wish to use Covid-19 to sow distrust within Australia, we must respond with well-considered and well-researched policies.

Although Covid-19 has brought about many challenges, it has also provided a catalyst for meaningful political change. The work we're currently undertaking on the committee will help to inform the way we respond to foreign interference through social media, and will therefore ensure Australia's long-lasting democratic values.

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Right-wing extremism in a post-Covid world

Senator Kristina Keneally

The times suit right-wing extremists. Their exclusionary nationalism, anti-immigration and anti-government views were on the rise in Australia and around the world prior to the Covid pandemic, and now these extremists are uniquely placed to capitalise on the fear, despair and distress created by the current health and economic crises (Burgess 2020).

Is Australia prepared to deal with this terrorist threat? ASIO boss Mike Burgess called it out as a danger earlier this year, but it's not clear that we have the right programs and policies in place yet to keep our population safe (UN CTED 2020, Burgess 2020). Right-wing extremism simply doesn't conform to the type of extremist group structures and patterns our counterterrorism apparatus has focused on for the past two decades.

Extremism: thriving amid disaster

> **Combating and classifying hate crimes and tackling racism though national initiatives, such as a national anti-racism strategy, will further reinforce that Australia rejects hate speech and celebrates its multicultural diversity.**

Australia's first recession in 30 years is here, and it's predicted that economic conditions are only going to worsen. Research has shown that financial crashes over the past 100 years have often been followed by an uptick in extremism of various forms.

Many right-wing extremists are already taking advantage of the situation. Community groups in Australia have reported an increase in racist incidents and a rise in online hate and conspiracy theories that blame the Covid crisis on minority groups and encourage anti-Asian sentiment (ATN 2020, Christodoulou 2020). Other groups have been spreading mistrust and anti-government discord while promoting broader conspiracy theories. The links between various groups across the fringe and within the mainstream are also blurring as the commonalities between narratives of state oppression and flawed democracy have a broader resonance with a range of more extreme views: sovereign citizens, anti-vaxxers, QAnon believers and anti-5G conspiracy theorists (McGowan 2020). Covid has given them a means of finding common ground.

It's sometimes difficult to draw a clear line between extreme or provocative views and where they cross over into the incitement of hate or violence. Many in the extreme right-wing aren't violent themselves and deliberately sidestep public rhetoric and language that would enable authorities to act. But extreme narratives and ideas feed, radicalise and encourage others who might not be so circumspect. A wide variety of studies attest to the intention of these groups to ignite social debate and push the boundaries of what's acceptable (Ranstrop & Ahlin 2020).

Their task is made easier by borrowing ideas that have historical roots or broad resonance in some parts of the community. Generally positive notions of patriotism or cultural and ethnic pride can be moulded by right-wing extremists to convert people to racism, division and hate. Mainstream views are used to justify or legitimise more extreme positions and extremist platforms. Such legitimacy gains pace when

mainstream voices, including media commentators and members of parliament, fail to condemn or even join in and promote such views—as has happened already in Australia (Norman 2018).

Allowing hateful discourse to be normalised will allow right-wing extremists to take the next steps: dehumanising migrants, religious groups and non-white minority groups and legitimising violence in response (Ranstrop & Ahlin 2020).

Further, allowing racist and conspiracy theory narratives about Covid to undermine trust in governments and the legitimacy of institutions will allow right-wing extremists to undermine the social and legal compacts. That includes the rule of law and respect for human rights, diversity and social cohesion, which permits our society to function.

Tailoring the approach to fit the problem

All extremisms aren't the same and can't be treated as such.

Still, our current countering violent extremism (CVE) cupboard isn't bare. Proscription is one of Australia's existing counterterrorism mechanisms that arguably could, and should, be applied to right-wing extremists in Australia. Every one of Australia's Five Eyes partners—Canada, the UK, the US and New Zealand—has now proscribed right-wing extremist groups as terrorist organisations. Australia is the odd one out. While some argue that Australian groups can't be proscribed because of the amorphous and fractured nature of the local right-wing extremist scene, perhaps that speaks more to the inadequacy of our proscription criteria and their ability to address the terrorist threats we face.

But there are also international groups, some proscribed by our Five Eyes counterparts, that have linkages to Australia and could be listed here. Those movements don't exist in isolation but are linked and take inspiration from each other, including groups and individuals here at home (Intel Brief 2020, Nathan 2018, Soufan Centre 2019). We might live on an island, but we're connected to the world through the internet, and across the globe people are facing the same health and economic crisis and the same fear, despair and distrust.

The distinction between international and domestic terrorist issues in this digitally connected world is disappearing fast. Look at the string of attacks that began with Anders Brevik in 2011: that attack 'inspired' a succession of others who drew inspiration from Brevik and each other and resulted in horrific incidents in Munich, Charleston, Christchurch and El Paso (Berger 2019).

In fact, we need to remember that proscription in Australia wasn't solely designed to send a message about groups here. The intent of the proscription laws when they were proposed and passed by parliament was to send a clear message about the views and the violence that we, as a community, reject (Lynch et al. 2009). Extreme right-wing views are surely deserving of that categorisation.

Proscription isn't the only tool we can use, of course. We need to be just as serious about preventing the creation of terrorists and undermining their narratives as we are about dealing with individuals once they're radicalised. Legislative or security-focused solutions—which have been prominent features of Australia's approach in recent decades—aren't the only way to tackle this problem, though they're valuable and have served us well. But they're no substitute for social programs and community engagement, well targeted and broadly implemented, to effectively address the radicalisation/terrorism

problem at its core. Since 2013–14, the Department of Home Affairs has allocated over $53 million to CVE programs at the federal level (Dias 2019). It's unclear how much, if any, of that funding is allocated to those at risk of right-wing extremism. However, there's no doubt that there's been a historical overemphasis on Islamic extremism and an underemphasis on right-wing extremism in federal CVE funding priorities.

Combating and classifying hate crimes and tackling racism though national initiatives, such as a national anti-racism strategy, will further reinforce that Australia rejects hate speech and celebrates its multicultural diversity.

Racism is often a gateway to more extreme narratives and it can be a stepping stone on the path of radicalisation to violence. But, regrettably, we don't have a current anti-racism campaign. The last federally funded anti-racism initiative was launched by the Gillard government in 2012 and expired in 2018. Community values—such as the benefits of a multicultural Australia—can be easily lost if they aren't positively reinforced and reintroduced to every generation.

Online protection against hate speech and symbols, and online diversion of people searching for groups that promote hate, are other means Australia can develop to counter right-wing extremism. The internet plays an increasingly central role in radicalisation and the spread of hate online: research shows that violence attributed to online hate speech has increased worldwide (Laub 2019, UNESCO 2015). Covid may also be accelerating this trend, with more people at home, without work, in front of screens and susceptible to propaganda, recruitment and radicalisation. The Christchurch Call initiatives, which Australia signed up to in 2019, are an important start, but there's more to be done. We should also be exploring definitions of online hate, as is being done in the UK, and working with social media platforms to continue to delete accounts and remove content that promotes extreme right-wing ideology and violence.

More thinking also needs to be done in relation to hate speech to ensure there's careful consideration of the balance between protection and liberties, but that shouldn't stop us from making the effort. The Morrison government's Abhorrent Violent Content legislation defined such content for social media platforms, and we can and should be defining hate speech and hate symbols in a similar way.

Finally, and perhaps in many ways most importantly, Australia needs leadership. Leaders' words have power, and, when our national security agencies identify an extremist threat to the security of the Australian people, our national leaders have a responsibility to publicly name and condemn it. Yet all too often we see political leaders and mainstream media apply labels to right-wing extremists that minimise the motivation and ideology behind their actions—something that rarely occurs when Islamist terrorism occurs or is even suspected.

Terrorists such as Brenton Tarrant aren't merely 'gunmen' or 'murderers' (Roose 2020). They're violent proponents of a vile ideology—right-wing extremism—and that must be called out as such by leaders and by media. If we don't name the threat, and identify it, and reject it, we risk only helping the far-right extremists in their efforts to mainstream their division, violence and hate.

Protecting our society

Right-wing extremism was on the rise in Australia and around the world before the Covid pandemic. The situation is only going to grow worse in a post-Covid world unless we take steps to counter, prevent and reject right-wing extremism in all its forms.

The steps outlined here are only the beginning. New laws and different law enforcement tactics may also be needed, and, while those will be useful, we can't simply legislate and arrest our way out of this threat. There are other steps we'll need to take, particularly in addressing economic inequality and a lack of opportunity and job security so that people aren't left on the margins but, rather, feel a sense of belonging and hope about their community, family and country.

Right-wing extremism is here, but it doesn't need to be here to stay. Australia must take this threat seriously and act accordingly. Nothing less than the safety of our citizens demands it.

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A better migration system for all

Andrew Giles MP

Today, Covid-19 has immobilised the world. Planes are grounded and borders around the world are largely closed.

For would-be tourists in the developed world, this is frustrating, but for many migrants, both those trying to get home and those seeking a better life, the pandemic has been life-shattering. Students who might have come to Australian university campuses to learn and ultimately call Australia home have been forced to stay away. Many Australian ex-pats who've been living abroad for years are struggling to find viable ways to get home.

> **Restoring the integrity of the citizenship program should be a centrepiece reform, along with reframing settlement and renewing our multiculturalism.**

More broadly, Covid-19 has exposed structural weaknesses in Australia's economy and society.

While our borders remain closed, we see just how important immigration is to Australia. It's easy to say that modern Australia has been built by migration, but what we're experiencing now shows us the implications of suspending the chains of human connection that make up our migration programs for the functioning of our economy and for how we live our lives and see ourselves.

We have a unique opportunity in restarting those programs, and we have to get it right. We need to put in place a coherent and consistent policy framework that recognises all the dimensions that migration shapes.

There are political and policy choices that we can make now to best prepare our nation to meet the challenges of the crisis and make the most of opportunities as the world reopens.

And there are questions to ask in order to anticipate, to identify and to understand the 'known unknowns' that will shape the context of Australia's immigration future—indeed, Australia's future.

Economic and population ramifications

Australia has been a lucky country—lucky that people want to come here, to make their lives and a contribution, bringing their talents and ambitions.

Migration has reshaped the world and reshaped Australia (29.5% of Australians come from overseas). It has made us who we are and underpinned our prosperity.

Before Covid-19, the Treasury estimated that Australia's migration program would add up to 1% to annual average GDP growth from 2020 to 2050 (TRI 2018).

That growth is gone. Covid-19 has been a seismic shock to Australia's migration and population settings. The Australian Government forecast in May that annual migration would be down 30% this year and 85% in 2021 (Truu 2020).

KPMG (2020) estimates that there could be a million fewer people than previously predicted in Australia by the end of the decade as a result of Covid-19, producing an annual hit to the economy of $117 billion by 2030 and an ageing workforce.

Economists have highlighted the importance of returning population growth to levels that can drive economic growth and jobs. That means migration, which delivers younger migrants and with them a demographic dividend and a higher birth rate.

This isn't just about raw numbers. We have to acknowledge the types of work that have been done by migrants, including essential work that hasn't always been seen as such, and the entrepreneurial contribution of immigrants to Australia.

For too long, we've taken the benefits of immigration for granted. Now, circumstances dictate that we can't.

The case for immigration in the context of nativism

The conventional wisdom is that anti-immigrant sentiment increases during economic recessions and times of high unemployment. Nativism and racism may prove to be more durable pathogens than SARS-CoV-2. We have to guard against that by recognising that not everyone has shared fairly in our recent growth, as well as the significance of that growth and the important role migration has played in driving it. And we can't ignore the human and cultural elements of this.

We know that Australians value immigration. The most recent Scanlon Foundation survey (2019) found that 68% agreed with the proposition that 'accepting immigrants from many different countries makes Australia stronger.' And we know how important immigration is to our economic prospects and the functioning of our society. All those go together.

As *The Economist* (2020) has recognised, 'Much will depend on how COVID-19 affects people's view of immigrants.'[1]

We must take responsibility for shaping those views—it's in our national interest and in the interests of the global community. I believe this rests on articulating a sense of Australian identity that melds enduring values with new experiences and perspectives—an inclusive citizenship, with pride in our multiculturalism at its core, along with a deep respect for First Nations cultures.

What we say matters, but so does what we do.

Immediate policy priorities

We can take steps now to best prepare Australia and Australians for a future characterised by uncertainty.

I acknowledge that some decisions that will make a difference have already been made. In particular, I welcome the reshaping of Australia's Adult Migrant English Program. Opening it up to more people, and ensuring that it has the flexibility to once again be fit for purpose, are important steps towards enabling full economic and social participation.

We have a great record in settlement services, but that can no longer be taken for granted.

Over recent years, the immigration function has been degraded within the Department of Home Affairs. That must be reversed. The consequences of that neglect are evident now in the extraordinary blowout to 91,717 in the number of partner visa applications on hand (as at 31 March 2020)—an increase of almost 30% in under three years (Ross 2020). The record number of bridging visas now issued is another sign of systems failure.

It should be clear that highest quality policy support and administrative action in this area will be of enormous importance in navigating the complexities of a reopening world.

While Australia hasn't seen the nativism of Donald Trump or Viktor Orban, we must acknowledge challenges to our social cohesion today that will affect our recovery if unaddressed.

The rise of racism and the gaps in our social safety net affecting non-citizens loom large. Both issues confine lives today and go to how we're seen as well as how we see ourselves.

If we want to be competitive in the post-Covid world, we can't ignore this.

Australia needs a new anti-racism strategy with a national anti-racism campaign at its heart. This could be a powerful restatement of our multiculturalism and underpin a confident expression of our national identity that's patriotic and inclusive.

A national anti-racism campaign will also help us unlock the economic benefits of social inclusion, which are estimated to be worth $12.7 billion annually as a result of higher productivity, improved employment and improved health (DAE 2019).

It's not naive to imagine that those benefits may prove even greater as we look beyond our borders and think about how significant our diaspora communities could be in advancing our interests in our region and beyond.

In Australia, as elsewhere, temporary migrants make a vital contribution. They're helping fight coronavirus, too: 8,000 skilled medical professionals on temporary visas are working on the front line (Tudge 2020). Almost half of doctors in Australia are from overseas.

It's hard to imagine that this demand will change dramatically in the near future.

But what's been the impact of excluding temporary migrants from our safety net, especially when other developed nations have taken a more generous, more far-sighted approach?

Leaving temporary migrants with no support in a pandemic is wrong as a matter of public health policy and as a question of basic morality. Our international standing and competitiveness as a destination for travel and work have been harmed by that policy.

If we don't address this problem, the harm may prove enduring. We aren't the only market for international education; nor are we alone in having gaps in our domestic labour market.

How we're responding to today's challenges will guide how others see us in the future. Our advantages can't be assumed to overcome our actions.

The way forward: immigration in a Covid-19 world

As the world reopens, we need to be prepared and clear-sighted about the role of immigration in our future.

Now is the time to develop our arguments, to build a political consensus around a framework and to ask the right questions.

Start with the biggest: will there be a vaccine, or effective treatment, for Covid-19 and when might it be available?

So much rests on and flows from that, but we need to work through a series of scenarios for the reopening of international borders and the constraints on travel. It's interesting to note that Alan Joyce, CEO of Qantas, is looking to mid-2021 for the resumption of international travel (Whitley 2020).

For the foreseeable future, health advice will determine the number of entrants into Australia, but there are several reforms we can pursue to ensure our migration system is fit for purpose.

We can start thinking about reforming our visa systems, with clearer categories and faster processing times that give people certainty.

Restoring the integrity of the citizenship program should be a centrepiece reform, along with reframing settlement and renewing our multiculturalism.

This isn't just about reducing waiting list timelines—it's central to identity and to advancing social cohesion. It's about a genuinely shared sense of belonging, about recognition and also about showing our best side to a re-engaging world.

We need to address the tensions and inconsistencies in the current migration program and the link between temporary and permanent forms of migration, as my colleague Senator Keneally has argued.

She's also right to suggest that we must be less 'lazy' when it comes to immigration policy and its relationships to skills development and the regulation of the labour market, for example.

We needn't snap back to how things were. Instead, we should look to first principles, about policy goals and about people, about nation building and about connection, and about being an exemplar when it comes to humanitarian concerns.

In short, we need a consistent and coherent approach to our immigration policy settings. It must be in our national interest but recognise our regional context.

Conclusion

At some point, in some manner, those formal barriers presently preventing migration will come down. How that happens is obviously a vital question for Australia's recovery; indeed, for our future.

But there are related questions we need to have asked ourselves and answered if we're to make the most of our relative advantages as the world reopens.

We need to recognise the critical role migration plays—in our economy and in most of our lives—and defend it against the voices of nativism and division.

We need to fill in the gaps that the pause in immigration has exposed in our social systems.

And we need to anticipate how the world might reopen so that we can be at the front of the queue, reconnecting people, ideas and opportunities.

All of this requires a clear sense of our national interests, which understands that those interests don't end at our borders and that they rest on a confident, outward-looking and inclusive idea of our national identity.

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Notes

1   'When covid-19 recedes, will global migration start again?', *The Economist*, 1 August 2020, online.

Opportunities in health care after Covid-19

Mike Freelander MP

The Covid-19 pandemic has exposed healthcare systems around the world to microscopic scrutiny. Some systems have coped well, some haven't. Some relatively affluent developed countries have had high levels of infections and high mortality, yet some relatively poor countries have done well.

The reasons why some have fared well and others not is the subject of endless speculation, but to me it seems that the fundamental fact has been that if a country is to do well it must, first, have a health system that responds quickly and comprehensively to the health crisis and is directed by health officials with expertise in public health rather than individual health. Second, its health system must connect all the resources and expertise needed to deal with an infectious disease pandemic.

This means a combination of health specialists (public health experts, epidemiologists, infectious diseases specialists, primary care specialists, hospital administrators, nursing managers, health logistics experts and many others) together with other services, such as police and emergency specialists, armed services, aged-care services, communications and education specialists, if the response is to be optimised.

Australia has performed well compared to similar countries thanks to our quick response and cooperation between the major agencies at the state and federal levels, although there have been deficiencies in a number of areas. In particular, there have been difficulties in integrating state and federal services in areas such as aged care, housing and the management of state borders. Primary care services, initially at least, struggled to access PPE, and the Medicare system, before the introduction of some telehealth services, was very slow to respond to changing health needs.

The pandemic has been a time of great anxiety and uncertainty in even the most calm of us, yet attention to mental health needs, particularly those of the young, has lacked a coordinated and purposeful response. That has improved since the introduction of telehealth services but is going to be a major need as the pandemic proceeds. How we respond from now will depend on how we address the issues I've mentioned, the health issues that were becoming apparent before the pandemic and the opportunities that need to be harnessed during and after it.

After the pandemic, waiting lists for surgical procedures will be prolonged, and many people who have delayed seeking medical reviews will need to be seen, putting huge pressure on hospital outpatient services and private rooms.

Before the pandemic

Australia's health system was designed many decades ago. The last major redesign was the introduction of Medicare by the Hawke government in 1984 (pre-dated by the introduction of Medibank by the Whitlam government in 1973). The system has served us well, and there have been changes at the state level that have also been positive, such as the development of area health services in NSW. However, there have been ongoing difficulties involving cost shifting between state and federal jurisdictions, which has affected access to outpatient services and access to in-home aged-care support services; a patient can be kept in hospital, sometimes for months (which is state funded), awaiting in-home aged care or residential care (which is federally funded).

There's also been a change in our understanding of healthcare needs in an ageing population to a focus on preventive health and in our management of chronic disease and lifestyle-induced disease.

In my own field of paediatrics, there's been an evolving understanding of the importance of the social determinants of health and a focus on early intervention. Policies such as 'The First One Thousand Days' have come to the forefront, as have advances in genetics and genetically targeted treatments for conditions once considered fatal, such as cystic fibrosis and spinal muscular atrophy.

It's now recognised that poor neurodevelopmental outcomes in children often have their genesis *in utero* or even before (that is pre-conception; maternal and paternal health issues can impact upon a pregnancy). The science of epigenetics is showing us that diseases of adult life such as cardiovascular disease, stroke and diabetes may also be caused by *in utero* events.

One increasing problem in Australia is the difficulty in providing 21st-century health care not just to inner city populations, but also to outer metropolitan, rural, regional and remote populations.

Recent innovations in the management of acute myocardial infarction and stroke have led to dramatically better outcomes for people who can access acute intervention, but providing that access nationwide has proven very difficult.

Providing high-level health care to Indigenous populations also requires much thought. We have, in some Indigenous groups, very high levels of diseases such as rheumatic fever and foetal alcohol syndrome, which have been eradicated in most developed countries.

What's the Covid-19 pandemic shown us?

The pandemic has certainly crystallised our view of our health services and has magnified areas in which there are systemic problems, such as aged care, but it has also increased general health literacy and made us all much more aware of the interconnectedness of health services, from general practices and hospitals to community health services and aged care, and everything in between.

We're all much more aware of how infectious disease is spread and how we all depend on each other to keep our communities safe.

> **The pandemic has also allowed us to compare our health systems with those of comparable countries and to see where different options have led to different outcomes. We can see where opportunities exist, not only to improve health outcomes but also to remedy inefficiencies and to prepare a health system fit for purpose for the 21st century and beyond.**

We can also see how we can improve opportunities for business and for training and employment within the health system.

As a paediatrician, I can say that I've learned an enormous amount about the interaction of health care, the bureaucracy and politicians.

I've admired very much the Australian response at all levels, particularly the brave decisions that have been made and the equitable way that the system has managed to save many lives.

I'm concerned, of course, about the long-term economic costs and believe that we should all play a part in the recovery, but I'm optimistic that we'll have a functioning and successful society once we're through this terrible pandemic, with many lessons learned.

Opportunities

The pandemic has given us all the opportunity to see all our health services in a new light and to reflect on the changes that have taken place, along with what's worked and what hasn't.

There's a need for change, and we've seen glimpses of what that change may bring:

- Even simple measures such hand hygiene and social distancing can bring about significant change. For example, there have been low incidences of influenza and respiratory syncytial virus (bronchiolitis) this winter. Influenza mortality has also been very low, as has hospitalisation for other respiratory illnesses.

- Hospitals and other health services, such as aged-care facilities, can spread infectious diseases. Therefore, it's better to care for patients in their homes if resources are available.

- Telehealth is very popular with patients and has significant benefits, particularly for the less mobile. There's scope to make much better use of modern communication technology. Along with improvements in electronic healthcare records, this will improve access for many people and may have benefits for those in rural, regional and remote areas.

- Australia has expertise in many areas of health care, and there are great opportunities for expanding the role of health care in education, manufacturing and marketing, but reform is needed at the governmental level. It will involve the integration of state and federal healthcare systems, the modification of the transactional nature of the Medicare system and a more comprehensive approach to health care that supports early intervention, prevention and health promotion as primary rather than secondary aims.

Australia has demonstrated excellence in health expertise, epidemiology, research and public hospitals and an adaptable workforce during this Covid-19 pandemic.

Those factors give us opportunities in a variety of areas, including clinical trials, research and the local manufacturing of high-technology medical equipment and pharmaceuticals. There's also an opportunity for education not only in medical science but also in systems engineering, manufacturing, information technology, electronics and many other areas.

We need, however, to carefully target where we can do well and add value.

The development of genetic technologies and genetically targeted treatments is one area where we already have some expertise. Vaccine development is another area where we can do well. High-value healthcare electronics is an area in which we've excelled in the past, and there's an increasing opportunity for us to again take the lead.

Conclusion

There's no doubt that the current pandemic has had terrible consequences both economically and in health.

More than 800 people have lost their lives directly to the virus, and there will be ongoing health consequences indirectly attributable to the virus, such as delayed diagnoses of other illnesses and terrible mental health consequences for those who have lost their businesses or jobs, and for young people who face many uncertainties.

As a society, we've been tested and stressed much more than many of us have ever been before, although previous generations have had major global events such as world wars to contend with.

It appears that we'll have to deal with this pandemic for some time. It may be that a vaccine will become available soon; it may be that one won't be developed. It's likely that other treatments will emerge. It's possible that the virus itself will change and become less pathogenic.

Whatever happens, there's an enormous opportunity for reform of our healthcare system. I hope that this pandemic will lead to a better equipped, more agile and integrated health system that's able to use what we've learned to provide equitable 21st-century care and make use of the many opportunities available.

As the world rapidly ages, developed nations need new thinking to fund aged-care services

Katie Allen MP

The Covid-19 pandemic and the impact that Victoria's out-of-control community transmission has recently had on aged-care facilities make us wonder whether, as a nation, we're doing our best for our older citizens. Although no country has been able to prevent aged-care communities from bearing the brunt of Covid deaths, we don't yet know why Covid targets the elderly. However, Australia has done better than most—despite the community outbreak in Victoria. Compared to other countries, our fatality rate as a result of Covid-19 for those in aged-care facilities is one of the lowest in the world, at around 0.1%. By comparison, Canada's aged-care sector reports a death rate that's 15 times higher, Ireland and Italy 30 times higher, and the UK 53 times higher (WHO 2020).

As the Covid pandemic collides with this sector globally, many countries are examining the role of aged care and how it intersects with health care. At the heart of this issue in Australia is the fact that aged-care homes are just that: they're residential facilities that are home to a large population of older Australians; they aren't hospitals.

The Australian population is steadily getting older. In 1977, 9% of our population was over 65 years old. In 2017, that proportion had grown to 15%. In another 40 years, it's projected to be 22% (AIHW 2018; AIHW 2020). The average age of those entering aged care is rising even more quickly. Advances in medicine, higher quality diets and lifestyles and the federal government's injection of funds into home support and home care packages to help keep older Australians healthy and well supported at home as long as is practicable and as they prefer, have meant a change in the nature of residents and the level of care required in residential aged care.

The result of increased investment in home-based support is that older Australians are now entering aged care when they're frailer and have more co-morbidities, often after a specific incident or trauma such as a fall, stroke or heart attack. Even before Covid commenced, there was evidence that residents were entering aged-care facilities in a frailer state because they've remained in supported home environments longer (AIHW 2016).

So, how do we improve a system that needs to support the health and wellbeing of our ageing population and some of its most vulnerable citizens? And how will we fund those changes?

There's an increasing need for clinical coordination between the aged-care and health sectors, particularly as acute health demands in the aged-care sector increase. Aged-care facilities rely on strong support from local GPs, and many have also developed strong links with local hospitals to ensure excellent in-reach services of specialists such as geriatricians and palliative care specialists. Those local clinical links work across state and federal service delivery boundaries, since hospital services are state funded and both Medicare and aged-care services are federally funded. The Covid pandemic has highlighted the outstanding collaborations that can occur across the two sectors of health and aged care—but it has also uncovered unfortunate exceptions. This remains an area that needs further strengthening and coordination across jurisdictions.

One of the most pressing structural concerns regarding our ageing population is how we'll pay for the baby boom bubble about to hit the sector. Successive intergenerational reports have identified aged care as the fastest growing component of government expenditure. Alzheimer's Disease International's 2015 report on the global state of aged care found that the costs of caring for the elderly are divided between direct medical spending, social care and informal care (ADI 2015). This varies according to the income of the country. In poorer countries, the spending burden falls disproportionately on informal care by the family or community. In the developing world, it's currently already as high as 69% of total costs. In high-income countries such as Australia it currently makes up only 38% of total costs.

This is where the rub lies in nations like Australia. Steady economic growth, smaller nuclear families, a high emphasis on work and career attainment and an increasingly healthy older generation all mean that the task of looking after ageing family members tends to be outsourced. The expectation that government will care for citizens in their later, dependent years has become a fact in most developed countries. But, in the context of an ageing population, that comes at a time when the tax base is shrinking as the working population becomes a smaller proportion of the total. This is no small financial issue.

In Australia, aged-care services (including home support, home care packages and residential aged care) collectively provided care to more than 1.2 million people or 5% of the population in 2017–18. That was at a total cost to governments of $18.4 billion. In residential aged care, the cost to governments in 2016–17 was $12.1 billion, while residents themselves contributed a further $4.7 billion (AIHW 2019). Home care packages, providers and government investment have been steadily growing over the past five years. The total amount of home-care expenditure in 2017–18 was around $2 billion, which was an increase of $400 million from the previous year. Government bears the lion's share of the cost—overall consumer contributions for in-home care packages in 2017–18 were only $112 million.

Australia isn't alone in having concerns about the expected rise in spending on an ageing population (both in health and aged care services). Increasing tax rates to fund supporting an ageing population is always unappealing and may become unsustainable.

So, what can we learn from models that can provide high-quality care efficiently and sustainably? First, the risk of requiring care doesn't fall evenly or predictably on citizens, so an insurance model of funding is a useful approach. Second, for long term sustainability the burden must be on a user-pays, market-based model where possible. Third, there need to be minimum standards for all. But that doesn't resolve the question of whether the burden of affordable care should be limited or shared between the state (present or future taxpayers) and the individual or their family. Nor does it tell us what proportion of care should be shouldered by the individual and their family.

Japan, as a country whose citizens are living longer and that has low rates of both fertility and immigration, has had little option but to confront this issue. Japan's universal long-term-care insurance system is in part modelled on Germany's private, compulsory scheme (Annear 2006). In Germany, the insurance is obligatory but the insurers are private, and the cost is covered solely by the companies without any state assistance. Japan's scheme doesn't operate on strict insurance principles, since half of spending is covered out of general taxation. It also doesn't allow people to take cash instead of services in order to pay for care provided at home.

In the Japanese scheme (which Britain is said to be eyeing with interest), everyone aged 40 to 65 years pays a premium. Regardless of income or wealth, those aged over 65 can claim benefits, after an assessment of their needs based on a questionnaire and a doctor's report. However, beneficiaries must still meet 10% of all costs themselves. In 2018, about 15% of the over-65 population received benefits.

In China, which faces the biggest challenge of all because until relatively recently most aged care was provided informally by families, private insurance is virtually unavailable, and public financing for long-term care is, according to the World Bank, 'minimal' (Glinskaya & Feng 2018). Public spending on aged-care services amounts to about 0.04% of GDP; by comparison, it's 1.2% of GDP in Australia. As societal structures change in China, there's now a shift away from informal care, but at a private cost to the families who seek an alternative.

In Australia, a rapid rise in the number of people requiring aged-care services is expected from 2030, as baby boomers enter their 80s in large numbers. The Royal Commission into Aged Care Quality and Safety has recently heard evidence on the vexed issue of how Australia will pay for the baby boomer bubble ahead (Treasury 2020).

University of NSW economist John Piggott has suggested that a hypothecated levy—a dedicated tax for a specific expenditure—could be invested in a new aged-care fund managed by the Future Fund system. Any surplus that accrued over the next decade could be used to pay for the demographic bulge.

The Future Fund was designed to protect intergenerational wealth for the nation; it's a cyclical savings program to keep Australia solvent after achieving the herculean task of paying off all national debt. It was also designed to ensure that there was enough cash on hand as the swell in public servants—created as a result of the postwar boom—entered retirement. Unfortunately, an aged-care future fund would need to be funded to the tune of around $400 billion in the near future. That's beyond the realm of practicality.

There remains a lot to consider. Should a base level of care be provided by the federal government, with the option of extending care by a user-pays mode, much like our private health insurance bronze, silver and gold system currently works? Or should we consider a compulsory insurance scheme, as occurs with ElderShield in Singapore (MoH 2020)? Could such a scheme be devised using a subset of superannuation contributions? (Compulsory super contributions are legislated to increase from 9.5% to 12%, commencing with a 0.5% rise in July 2021). Should a portion of compulsory superannuation contributions be quarantined on an insured basis to pay for a person's potential future aged-care services needs? After all, the point of superannuation is to enable forced saving for self-sufficiency in retirement. The superannuation scheme was conceived when retirement was for a shorter period than (fortunately) it has become now due to increased longevity.

Recently, former Labor Prime Minister Paul Keating entered the fray about aged-care funding with a proposal for a HECS-style loan system (Alexander 2020): a use now, pay later (after death, in fact) scheme, which some cynical pundits have dubbed a 'death tax'. Former Liberal Australian Treasurer (and former Member for Higgins) Peter Costello was quick to shut the idea down while addressing the royal commission into aged care, noting that people could already use their homes as security on a bond but that this should be done 'knowingly and in advance'.

Costello argued that there should be products within the market that allow Australians to wealth release, or reverse mortgage the family home. An open market would increase competition among such products, potentially drive down the cost and offer competitive plans. For this model to be successful, any decisions about the family home should be discussed with next of kin, managed under the supervision of a financial adviser and decided, where possible, well in advance. Currently, Australia's aged-care sector is populated by a variety of providers. Not-for-profit, private and state-funded facilities all vie for clients in a competitive market. That should continue in order to maximise choice in a segmented consumer market.

Whatever funding model is arrived at, it needs to be palatable to the public and not come at significant cost of other services and care. Politicians, the sector and consumers all recognise that something needs fixing, but that doesn't resolve the question of what proportion of care should be shouldered by the individual and their family or by government and how the balance can be equitably achieved and without compromising quality and safety.

In Treasury's submission to the Royal Commission into Aged Care Quality and Safety, it suggests that a public–private partnership is probably the best way to move forward.

> **Public funding combined with private contributions provides the most equitable and sustainable basis to finance aged care. A mix of appropriate public funding complemented by means-tested private contributions will result in a system that allows for individual needs and circumstances without the burden entirely falling to the state, unless needs must.**

Australians understand that older people have earned the chance to enjoy their later years after many decades of contribution and hard work. There are recent concerns, however, that, as a nation, we've drifted into an ageist mindset that undervalues older people and limits their possibilities. With our population ageing at speed, there's now an urgent need for the community, government and aged-care providers to work together to ensure that our elders are recognised for their contribution in building this great country by providing the best care options possible as they enter the twilight years of their lives.

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A pathway to building a fairer social security system after Covid-19

Senator Rachel Siewert

The twin health and economic crises posed by Covid-19 have exposed and exacerbated the cracks in our social security system. Rising wealth and income inequality have been a reality for many Australians, and the current circumstances are causing further pain and distress for those people and millions more. We all know someone we care about who has lost their job or income, who is struggling to keep their house or pay their rent.

> **With well over a million people already unemployed and more set to join the ranks of the newly jobless as support measures are cut back, now is the time to ensure that we have a fair and functioning social safety net to keep our economy functioning and leave no one behind.**

At the start of the crisis, the government stepped in to temporarily paper over some of the fundamental flaws in our social security system and, in doing so, has unwittingly demonstrated that we can have a better system—one that's adequate, accessible, supportive and responsive. Now its reverting to its old ways, blaming those who have lost their jobs because of the crisis and cutting support in their hour of need.

Covid-19 has exposed a system that must change— we need to build a better, fairer and more robust social security system that's responsive to the needs of Australians.

Exposing the cracks in our social security system

For decades, successive governments had argued that any increase to income support and essential services was unaffordable. After years of leaving unemployed people behind, Australia is faced with growing unemployment. In July, the official unemployment rate reached 7.5%, while the effective unemployment rate is estimated to be closer to 10% (Janda & Lasker 2020). It's expected that unemployment will rise much higher, approaching 13–15%, and it's likely to remain high for years to come.

During the first phase of the lockdown, Centrelink, which has been eroded for years, experienced a meltdown as it was unable to support the large numbers of Australians suddenly needing help. Queues outside Centrelink offices grew longer, the MyGov website crashed, and people spent hours and even days on the phone trying to get through.

In the midst of that chaos, the government finally acted, effectively doubling the rate of the JobSeeker payment from $565.70 to $1,115.70 a fortnight and bringing in JobKeeper as a wage subsidy scheme paid directly through employers.

The inadequacy of the JobSeeker payment wasn't a surprise. Before Covid-19 hit, the Australian Council of Social Service (ACOSS) and UNSW Sydney found that households relying on social security payments were five times more likely to experience poverty than those relying mainly on wages and salaries (36% versus 7% in poverty) (Davidson et al. 2020). The highest poverty rates (57%) were found in households in which the main earner received the JobSeeker payment.

Economic growth in this country hasn't been shared equally. At the whole-of-population level, in 2003–04 the richest quintile of households had 59 times the wealth of the poorest quintile, but by 2017–18 that had increased to 90 times the wealth of the poorest quintile (Miller et al. 2020).

Many of the bureaucratic hoops and punitive approaches that make access harder and delay the provision of income support were suspended as the government desperately tried to reorient the system towards one that was supportive, accessible, adequate and responsive. Additional staff were made available for people trying to access the system, the liquid assets waiting period and the assets test were both temporarily removed, as was the perverse requirement for single parents to have their relationship verified by a third party, and the partner test was temporarily lifted to $79,000 from $48,000. Those changes were long overdue and ensured that more Australians were able to access the support they needed.

At the same time, Covid-19 further exposed the perversity of linking income-support payments to conditionality and compliance. There's no evidence to support the assertion that sanctions improve someone's chances of finding work. The UK Welfare Conditionality Project analysed the effectiveness, impact and ethics of welfare conditionality from 2013 to 2018. The researchers found no evidence that welfare conditionality enhanced people's motivation to work; in fact, it pushed some people into destitution, survival crime and poor health.[1]

Back to the old ways of doing things?

We're at a critical turning point. As Australia struggles to get Covid-19 under control, the government is clearly eager to go back to business as usual. That would have a devastating impact on people's lives and the economic recovery of Australia.

Faced with an additional million newly jobless people, all struggling to find work during a recession, the government chose to cut the coronavirus supplement from $550 a fortnight to $250 a fortnight at the end of September. That will push at least 370,000 Australians currently relying on JobSeeker, including 80,000 children, into poverty (Australia Institute 2020). This payment is manifestly inadequate.

Reducing the support offered to the newly jobless and making their lives more difficult and stressful during a crisis threatens to undermine our economic recovery. It forces hundreds of thousands of struggling households into long-term hardship. If an additional 5% of our population lose their jobs and their homes, as expected, our housing market will crash and our economy will stay flat for years on end.

Our old income-support payments are too low to support people effectively. The gaps in income and wealth inequality may be exacerbated if our response to Covid-19 continues to favour those who can rely on their wealth and savings to get them through the crisis over those who can't. With millions of Australians working in exposed industries losing their jobs, we need fair and effective support to ensure that no one is left behind and our economy bounces back. We can't afford to condemn so many to poverty and entrenched disadvantage.

It's not only the rate of income support and inequality that's problematic. The government's refusal to suspend mutual obligations for the life of the pandemic shows how wedded it is to pursuing the ideology of conditionality and compliance despite it clearly making no sense when the economy is in recession and there aren't enough jobs to go around.

The idea that we can revert to the old way of doing things ignores the reality that Covid-19 is going to fundamentally change Australia's social and economic landscape for decades to come.

History tells us that the impacts of the recession will hurt some groups more than others. Women have lost jobs and paid hours at a much higher rate, while substantially increasing hours of unpaid care, leading some to call this a 'pink-collar recession' (Ribeiro 2020).

Young people have also been hit hard. In July, the unemployment rate for those aged under 25 years was 16.4%, or more than double the rate of 7.4% for the workforce as a whole (Karp 2020). It's likely that young people will experience long-term career scarring, higher rates of unemployment, underemployment and lower wages over the next decade.

Lessons from previous recessions show that older workers are also at risk from long-term unemployment and may be unlikely to return to the workforce. New data shows that over 30% of the newly unemployed or underemployed are aged between 51 and 65 (Mills et al. 2020). The industries most affected by Covid-19, including education, retail and accommodation, have higher numbers of older employees. As a result, the Brotherhood of St Laurence estimates that nearly 400,000 Australians aged between 51 and 65 will have their hours and employment reduced due to Covid-19 (Mills et al. 2020).

It's essential that we ensure that government policy and actions don't leave those people in poverty.

Building a better normal

Covid-19 has laid bare why we need to transform our social security system to be fair, robust and responsive in order to adequately support our community. We need significant and ongoing government investment to ensure wellbeing and economic recovery. We need bold government investment to meet the challenges ahead. A guaranteed adequate income would ensure individual, family and community wellbeing.

A guaranteed adequate income is based on the principles that all Australians should be able to access a livable income in order to live lives of dignity and ensure their wellbeing, and that government is responsible for ensuring that no one is left behind, no matter their employment status.

We must urgently and permanently lift the rate of income-support payments above the poverty line. That would enable everybody to live with dignity, regardless of their circumstances.

Lifting the JobSeeker payment above the poverty line to $1,115 a fortnight has had a dramatic impact on people's lives. For the first time in decades, some are reporting that they don't need to make difficult financial decisions, such as whether to put food on the table or turn the heater on.

In a survey conducted by ACOSS on the introduction of the coronavirus supplement, 93% of people said they were now able to afford fresh fruit and vegetables, 69% said they were now able to pay for essential medical treatments, and 75% said they were able to pay their bills (ACOSS 2020).

It's imperative that the system is built in a way that doesn't allow people to become political punching bags to score political points. Income-support rates must be set by an independent process.

It's not only about the rate of income support; it's also about how people are treated. A guaranteed adequate income scheme would be focused on providing a supportive rather than a punitive approach.

Income support would be guaranteed to anyone, rather than the unnecessarily restrictive eligibility criteria that are currently in place.

Our employment services system should be helping employers find the right people with the right skills to drive our economic recovery. The services should be providing tailored, individualised support to people looking for work.

Another key component of a guaranteed adequate income is universal access to good-quality essential social services, including health, education, housing, child care, aged care and social supports.

A jobs guarantee, which would be voluntary and offer full entitlements to participants, should be coupled with a guaranteed adequate income scheme (however, that warrants a separate paper for further discussion).

This form of a guaranteed adequate income scheme would protect people from poverty and provide a buffer against the long-term consequences of unemployment.

One of the common criticisms levelled against any policy that seeks to increase income support and access to social services is that it's unaffordable. This popular argument simply reinforces myths about government debt that we have to debunk if we're going to build a fairer and more sustainable future.

While successive governments have sought to turn public debt into something we should fear, the society we've built wouldn't have been possible without government debt.

Debt is one of the tools governments have to manage the economy and ensure the provision of shared infrastructure and services that enable people to be productive and maintain a standard of living. Debt isn't good or bad in and of itself—the key issue is how economically productive that debt is.

During a recession, governments need to use debt to keep communities and economies functioning, to create productive opportunities and jobs—this is the story of the New Deal as well as the lesson learned from post-GFC austerity in Europe.

We also need to consider the costs of not taking bold action. The costs to individuals, families, communities and the economy are astronomical.

We can't let unemployed Australians and those on low incomes bear the burden of this crisis. If we don't get the policy right, poverty and joblessness will be with us for a long time.

Now is the time to use this crisis to reimagine our social security system. A guaranteed adequate income scheme presents us with a clear pathway to making our social safety net fairer, more responsive and inclusive.

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Notes

1 'Welfare conditionality largely ineffective, research team finds', *Welfare Conditionality*, 22 May 2018, online.

Young Australians: a generation at risk

Josh Burns MP

An Australian who turned 18 last year entered adulthood in a world of widening inequality, stagnant wage growth, increasing cost of living and education, a more crowded and insecure job market, a housing market stacked against first-time buyers—and that's not even mentioning the impending crisis that's climate change.

Enter a pandemic that creates the biggest economic crash in a century, throws millions out of work, threatens to unleash a housing and homelessness crisis and is burdening individuals, families and the nation with historic levels of debt to stay afloat.

Some 60.5% of Australians pushed into unemployment between March and June were aged 15–34 years (ABS 2020a: Table 22, seasonally adjusted).

Nearly half of those aged 18–24 years living in a rental or under a mortgage can't make their payments on time, compared to 10.3% of those aged 75 or older (Biddle et al. 2020a).

A recent survey revealed a 71% increase in the number of 18–24-year-olds reporting that they think they'd be 'better off dead' (Baker 2020).

In work, housing, mental health and education, this pandemic is fuelling many of the inequities that hold back young Australians.

If we fail to act, we risk entrenching an untenable generational gap in health, social and economic outcomes. And we risk being the first generation in modern history to leave a worse deal to the next generation.

These issues aren't to be dismissed as problems just for young people. Young people's success and our long-term recovery are one and the same, so our plan for after Covid must anchor itself to advancing the economic and social outcomes of our young Australians.

Jobs and incomes

The pandemic is hitting the most vulnerable young Australians hardest.

The number of unemployed people aged 15–24 who aren't attending a tertiary educational institution full time has increased by 49,600, or 36.2% (ABS 2020a: Table 15). This group faces the serious disadvantage of being excluded from an already overcrowded workforce into the long term (OECD 2020a).

Critically, the government's JobKeeper wage subsidy has disproportionately left young people behind. In August 2019, young people made up 46% of all short-term casual employees in Australia (Gilfillan 2020), and many were working in the very industries that the pandemic has utterly devastated, including the arts, retail, and hospitality (Gilfillan 2020). Despite that, they've been deliberately excluded from the program that the government hails as a worker's 'lifeline' (Frydenberg & Morrison 2020).

For many young Australians, there's been no alternative but to plunder their retirement savings. And the government has armed them with the keys to do just that, encouraging them to draw down their

superannuation. The consequences have been catastrophic—some 590,000 Australians have totally emptied their superannuation, and the majority of them are under the age of 35 (Norman & Probyn 2020).

Structural trends

Young Australians never entered this pandemic on an equal footing. Since the 2007–08 global financial crisis, the labour market for young people has undergone significant structural change.

For years now, the supply of workers has leapfrogged demand. Too many are competing for too few jobs, and young people's employment outcomes have flagged (Borland 2020a). The pathway from tertiary education to employment has frayed,[1] and many graduates have been forced into unpaid internships just to get their foot in the door (Owens & Stewart 2016).

Young people have been pushed into insecure, casual and on-demand work. A recent Victorian Government inquiry found that more than half of these gig workers held university qualifications (FYA 2020). Indeed, others have been shoved out of the workforce entirely. The proportion of the total population of young people who are employed has fallen by 4.3% since the global financial crisis, despite a rise in the proportion of those aged 25 years and above who are working (Borland 2020a).

Before the pandemic, our young Australians already earned less. Since 2008, young people's income in real terms has declined (PC 2020). And this is all despite real rates of pay rising at the same time for those aged 35 to 54 (PC 2020).

These economic challenges are piling up. Amid the sharpest quarterly economic contraction on record (ABS 2020b), young people urgently need a comprehensive jobs plan from the federal government.

Mental health

Our community's mental wellbeing and resilience are being put to the test by this pandemic (DoH 2020). Anxiety about the health of our loved ones, ongoing isolation from our communities and the uncertainty of sudden unemployment are amounting to a mental health crisis (Biddle et al. 2020b).

And that mental health challenge is disproportionately affecting young Australians (Biddle et al. 2020b, Orygen 2020).

Recent modelling by Orygen indicates that an additional 82,000 young Victorians may develop a mental health disorder because of the pandemic (Orygen 2020). Researchers at Swinburne University have found that young adults are reporting levels of loneliness, depression and stress well above those of the rest of the community (IHIRI 2020, OECD 2020b).

In my home state, there's been an increase of 33% in the numbers of young people seeking emergency department assistance for intentional self-harm compared against the previous year (DunLevie 2020).

As Professor Anthony Jorm stresses, it's now time to apply ourselves to flattening the mental health curve (Carbone & Jorm 2020).

The government's efforts in this area must be noted. The provision of an additional 10 subsidised psychological sessions for those facing ongoing restrictions in Victoria will make a difference (Hunt 2020).

But more must be done. Our mental health system wasn't working before Covid-19, and more than ever needs a boost. As I called for in my maiden speech (Burns 2019), we need to lock in these additional Medicare-supported sessions for the long term and make them available for all—whether or not they're subject to restrictions.

Housing and homelessness

Young Australians have long been facing significant challenges in the housing market before the pandemic: youth homelessness rose by 26% between 2006 and 2016 (CHP 2016).

In 2019, a young person on Newstart, JobSeeker's predecessor, could only afford to put $102.90 towards rent per week before falling into rental stress. For those on Youth Allowance, that amounted to $88.65 per week (PC 2019).

The pandemic is making this problem even worse, and it's further compounded by the current government's lack of a coherent housing policy.

The ANU's Centre for Social Research and Methods has found that young people aged 18 to 24 are struggling to meet their housing payments at a rate 17% higher than among those aged 55 to 64.

As rental stress leads to homelessness (ACOSS 2020), we should be particularly concerned by the growing number of young people who are unable to make their rent or mortgage repayments on time since the pandemic began (Atkin 2020).

Considering that millions of workers are paid only through the temporary JobKeeper payment, those statistics are terrifying. A future in which JobKeeper disappears and JobSeeker funding is drastically cut will see young Australians facing an even deeper housing crisis.

The bipartisan Senate Standing Committee on Community Affairs inquiry into the adequacy of Newstart and related payments recommended that the government increase the rates of JobSeeker, Youth Allowance and the Parenting Payment to prevent recipients from living in poverty (SSCCA 2020). Although this is a low bar, it would still be a significant improvement for thousands who need this support.

Young Australians need the government to step up and deliver more affordable and social housing to address the enormous gap in the market. The private sector isn't working for people on low incomes, who are struggling to access appropriate housing without falling into rental stress.

By investing in social and affordable housing, the government can stimulate the economy and create jobs in the construction sector. Not only is that a great way to put Australia on the path of economic recovery, but it's also the right thing to do.

Education

The pandemic's distinct and inequitable impact on young people is apparent in its disruption to our education system.

Since March, schools and universities have turned the lights off on short notice, sending students home for remote learning.

The weight of evidence now indicates that the gap in student achievement widens at home. A recent Centre for International Research on Education Systems (CIRES) report found that schools and students are simply not equally well placed for online education (CIRES 2020). Some expect that the educational outcomes of up to 46% of Australian children may suffer (Brown et al. 2020), while 58% of parents reported to the Australian Bureau of Statistics that their children struggled to concentrate (ABS 2020c).

In particular, the CIRES report brings home that the digital and material divide between homes significantly explains each student's outcomes online. We should therefore be particularly concerned for the most vulnerable of our students—those from low socio-economic backgrounds, without a supportive home learning environment, with special learning needs, or otherwise without strong digital and internet connectivity (Drane et al. 2020). The cost of inaction will be astonishing. While the CIRES report suggests that learning gains would fall by between roughly 15% and 33% (CIRES 2020:13), the Grattan Institute stresses that disadvantaged students will probably be learning at half of their ordinary rate (Sonnemann & Goss 2020).

Young Australians clearly can't afford to return to another prolonged lockdown. But if we have to go back—and we can't ignore that possibility—we'll need to spend over $1 billion to equip our 1 million most vulnerable students with the tools they need to succeed at home, as the Grattan Institute has called for (Sonnemann & Goss 2020).

The story isn't much better in universities.

Students are graduating to a stiff job market, and the challenge of landing a job now can't be overstated (Borland 2020b). A recent Treasury paper suggests that even those who successfully make the transition will earn significantly less in the medium term and estimates that their wages might not catch up for around 10 years (Andrews et al. 2020).

As Professor Jeff Borland notes, the policy response we need isn't just internal to the education sector (Borland 2020b). Once again, the government has to fire its fiscal cannon and create jobs.

But, at the same time, if we want our universities to unleash the talents of our young Australians, no matter their economic background, then we also need to be investing in university education and research. This is especially important when international travel restrictions are causing a heavy hit to universities' bottom lines and staff are bearing the brunt.

With all that in mind, the government's response—to cut university workers from JobKeeper, to propose to increase the cost of many degrees, and to withdraw HELP scheme support from students who fail subjects—is difficult to explain.

Moving forward

Our future success as a nation depends on the future success of young Australians. As things currently stand, our youth are doing it tough and bearing the biggest brunt from this pandemic, and our government isn't doing enough to support them now or in the future.

We need substantial investment from the government to increase employment, with a focus on our youth. This also means addressing the growing casualisation of the workforce and the job insecurity that plagues young Australians and represses their wages.

It also means that the government must expand the eligibility criteria for JobKeeper and reverse its $300 fortnightly cut. The exclusion of short-term casuals is arbitrary—and, in the context of a pandemic driving collapsing consumption, will only hold back our recovery.

Instead of making it more expensive for universities to provide degrees, we should be supporting the tertiary sector to deliver the education and training, accessible to all, on which this generation is depending.

Putting young people at the centre doesn't require any grand exercise in empathy—their interests are ours, too, and their recovery is our country's only hope for a return to some economic order.

Of course, achieving any of this will require significant government investment.

This crisis calls for visionary government action. The bolder we are, the better we'll emerge.

Saying that we can't afford to look after our young Australians isn't an option. What we can't afford to do is to leave them alone facing these massive crises because we were too slow and too reticent to act.

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Any strategic exit out of the Covid pandemic must have education and skills investment at its core

David Smith MP

Today's Australia has an economy that's not working for all Australians and deep in recession, leaving limited levers to pull; a school system internationally declining and not delivering for every student; a higher education sector underfunded and over-reliant on international students; and a science, technology, engineering and mathematics (STEM) sector facing R&D cuts, poor industry planning and large job losses.

The challenges facing Australia are significant and have been building for some time, and the coronavirus pandemic is only making them worse. This isn't a hole we can get out of without government leading the way.

Curtin and Chifley had a comprehensive vision during World War II and the immediate postwar years. In a country burdened by war debt, they chose not to shrink inwardly but to invest strategically in the future. They built universities, invested in skills for returned service people, guaranteed employment for all, opened Australia to millions of migrants and built new industries and nation-building infrastructure. Whitlam, too, had a vision to transform Australia, as did Hawke and Keating in the mid-1980s—each to meet the circumstances of the times.

The policy challenges of our times that lie ahead, both today and in the medium term, are of a similar magnitude and complexity. However, unlike those before, we face these challenges fighting up a weight class with one hand tied behind our back. There is, though, a pathway for recovery with education and science at the centre. If navigated well, it can bring our economy back from recession, building the productive workforce and the skill sets we need for the future and providing improved strategic independence.

Challenging times indeed

Before the global pandemic hit our shores at the beginning of 2020, there were inherent problems within our economy and there were longstanding homegrown weaknesses. As CommSec's chief economist, Craig James, said in 2019, 'the Aussie economy has lost momentum (Karp 2019)'.

The nation's debt had doubled from $280 billion to $568 billion since 2013 (Hutchens 2019), GDP growth was below trend, and GDP per capita was even flatter (ABS 2020a). Our national economy had gone from the eighth fastest-growing economy in the OECD in the Labor years to the 20th. Long-term unemployment and underemployment remained stubbornly high (ABS 2020c), workers' wages were growing at only one-sixth the pace of profits, and new capital expenditure had declined (ABS 2020b). The 2019 *HILDA report* showed the impact of the economy on households: earnings from work for men had virtually plateaued in real terms since 2011, and median household incomes had fallen slightly in real terms since 2009 (Gilfillan 2019).

In response to these challenges, the Reserve Bank did its heavy 'lifting', cutting the cash rate to one-third of the 'emergency lows' seen during the 2007–08 global financial crisis.[1]

With the arrival of the coronavirus, we've subsequently had government try to do its 'lifting' with economic stimulus. However, there's still been a sharp increase in unemployment. In the final week of August 2020, Australian Bureau of Statistics data showed that some 520,000 payroll jobs had been lost since the virus outbreak (ABS 2020c), and the nation was formally declared to be in recession in early September 2020 (ABS 2020a).

The economic challenge for any future government is shown by modelling on the medium-term balance sheet by the Parliamentary Budget Office (PBO). It predicts that the impact of Covid-19 is likely to result in government net debt being between 14% and 24% of GDP higher by 2029–30 (up to $800 billion). That analysis also estimates receipts to be lower ($26–37 billion lower by 2029–30) and payments to be higher ($5–10 billion in 2029–30) (Cranston 2020).

Critically, for meeting the challenge ahead, the PBO notes that the impact of lower migration rates is significant. The economy was under significant challenges before the pandemic, and those challenges have been exacerbated by the crisis, but, unlike for prime ministers past, immigration's positive contribution may be limited.

Similarly, before we were collectively dealing with coronavirus through remote learning, there were issues within our schools and the vocational and higher education sectors. Those issues needed to be addressed then, and even more so now and over the medium term.

In our schools, there were some good individual growth stories as targeted needs-based funding was rolling out but at the system level Australian school student education outcomes were flatlining (NAP 2019). The Programme for International Student Assessment (PISA) demonstrated the global and local problem. Australian students recorded the lowest results in reading, maths and science since international testing began. They were around a year behind their international peers in those basic subjects. For the first time ever, Australia's performance in maths was no better than the global average. Although ranking must be considered within country contexts, the results clearly showed that our brightest students aren't performing at the level of their peers overseas (ACER 2019). At the other end of our school sector, one in ten Year 9 students were at or below the minimum standard level (NAP 2019).

In the higher education sector, the challenges were more nuanced before the pandemic. The average financial position across the sector was in the black; however, that was built on a reliance on fee-paying, mostly international, students. For example, in the face of stagnating research grants ($3.51 billion in 2014–15 versus $3.6 billion in 2019–20), the university sector was largely using fee-paying international students to enable an almost doubling of R&D funding. Moreover, with Commonwealth Grants Scheme funding for student places frozen, the university sector turned to the only other fast-growing source of revenue available: international students.

As would become clear with the arrival of the coronavirus and subsequent collapse of the international student numbers, some universities have moved into a high-financial-risk category (Marshman & Larkins 2020). It's likely that the situation is only going to get worse. Job losses have already begun, and there will be impacts on the R&D activities of our universities.

There's little doubt that the growth of the international student market has been of benefit to the national economy, to many regional economies, to our research and innovation output, and to the students themselves. However, the reliance by universities and the government on the capital brought

by international students has exposed inherent problems with the funding and growth of the sector. Although it's a 'perception rather than a reality situation', it has further exposed the universities to allegations of foreign interference, questions of academic rigour and influences on research directions.

Critically, that reliance has exposed the sector and government to the very real risk of the tap being turned off, bringing damage to the universities' financial viability, our university R&D fields, our innovation pipeline and the sizeable economic activity associated with accommodating and caring for the student base. Moreover, as a nation, we were inviting a strategic risk with a model built on the assumption that supply is certain, without caveats, and not open to any political influence.

Closely associated with our university system is our science and research sector. Like the education sector and the economy more broadly, it, too, wasn't without challenges before the coronavirus. Its contribution to life and the economy, as Ian Chubb said, 'is easy to take for granted. Indeed, because science is so important to every modern economy, we easily adjust our expectations and, paradoxically, the role of science becomes invisible to us' (2015).

Despite their critical role in our defence, health and energy sectors, government science and research organisations such as CSIRO and Defence Science Technology Group continued to be cut and hollowed out. Their budgets were constrained, and their scientists, engineers and support staff were being moved on to contracts rather than tenured positions.

More broadly, as was reported in the media (Patty 2019), job opportunities for university science graduates had failed to match the push to get more students to study STEM subjects. The University of Sydney's head of business analytics, John Buchanan, said that, while STEM skills were important to society, there wasn't enough demand for graduate scientists and engineers in the labour market. This isn't surprising, when governments themselves continue to erode their own science and engineering capability. If we value STEM skills, then we need to also invest in STEM careers.

At the same time, the government has also proposed to cut nearly $2 billion from the R&D Tax Incentive Scheme. Rather than reforming the program to get a greater bang for our buck, the government is stripping it of vital funds. Focused reform would be a better approach now, as we all plot our way into a post-pandemic world. The government's cuts are a direct risk to the defence research and industry sectors, which are, so often, at the innovation forefront.

With the arrival of the pandemic, we turned to our research workforce for its expertise and knowledge and we witnessed high regard for that expertise in the public domain. While that was promising, it must be translated into greater ongoing support for Australia's science and research sector.

Indeed, as highlighted in a paper titled *What impact is the pandemic having and likely to have on Australia's research workforce and its capability to support our recovery efforts?* (Finkel 2020), it will be severely affected by the pandemic, and the effects are likely to be felt for an extended period. Income to universities, medical research institutes, publicly funded research agencies, cooperative research centres and the industrial sector is suffering from the loss of international students and a sharp decline in business research spending and philanthropy.

A pathway for inclusive growth and greater strategic independence relies on government leading by example

Australia urgently needs a pathway for inclusive growth that's deliberate, planned and smart. The nation will be even more reliant on productivity as a driver of growth, so greater investment in domestic education and skills development is vital and urgent.

Australia's Chief Scientist, Dr Alan Finkel, has suggested a pathway to meet these challenges. He argues that:

> Modern economic theories argue that sustained economic growth comes mainly from productivity increases. There are several ways to improve productivity but knowledge capital, through new technology, skills, R&D and efficient services and production processes, is the most significant factor … [Those investments in] R&D also have positive spillovers, meaning that knowledge can result in increasing returns to scale up production cheaply, and can generate significant benefits for those other than the primary investors as discoveries are made and spread. (Finkel 2020)

More broadly, modelling showed that an increase in the average PISA score of 25 points would deliver substantial long-term economic benefits through improved skills and life outcomes and a lower requirement for government assistance (AEU 2016).

This pathway must also have a concurrent investment by government in providing career paths and opportunities that rebuild our domestic science, engineering and technical capability. A substantial investment in entry- and mid-career-level technical and professional roles is critical to address skill deficiencies across government and across industry reliant on the public purse. Time and time again, reviews have pointed to the importance of doing so, yet we continue to see an erosion of such expertise across government, such as the further loss of a hundred roles in the Defence Science and Technology Group in the Department of Defence in August 2020. That follows cuts to staff in the Department of Foreign Affairs and Trade at a time of extraordinary challenge and complexity across the globe. Old approaches to efficiency dividends are undermining our capacity to adapt to the challenges of a post-Covid world.

And, to build an economy that works for all regions, education can be a key economic engine in many regional towns and cities. Education, whether through the local schools, TAFE and VET colleges, or university is the hub around which our regional centres grow, innovate, develop, recover and employ.

Despite the challenges faced in the broader economy and within the education, science and research sectors, it's those sectors that have to play a vital role in our recovery from this deep recession. Investment in education, science and research will build a more inclusive, wealthier and productive society. It will provide the foundations for greater economic stability and it could, if done well, provide increased strategic geopolitical independence.

It's as true today as it was early in the life of the last Labor government, in 2008, when Julia Gillard, then the Education Minister, said:

> An education revolution to create one of the most highly educated and skilled nations on Earth … a mandate for change that places education—in fact all aspects of our human capital—at the centre of the nation's economic and social investment priorities … nations that succeed will be those with the highest concentrations of education, skills, innovation and workforce participation. In other words, the future will belong to the nations with the best human capital and the most inclusive societies (Gillard 2008).

As a nation, we must ally that vision to a commitment that maps our pathway out of the first recession in 30 years: one that not only builds back our economy but does it even better.

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Closing the digital divide

Senator Marielle Smith

The Covid-19 pandemic has transformed so much of our lives, from the economic to the social. Rarely has it led to changes for the better. More often than not, it has exposed pre-existing vulnerabilities.

That's certainly the case when we look at the digital divide in Australia, and in particular how the shift towards digital payment platforms and contactless payments, at the expense of cash, has left too many Australians vulnerable and exposed during this crisis.

The 'digital divide' refers to the degree that individuals can access both connectivity (most notably high-speed and reliable internet) and the technology (such as computers and smartphones) that enable such connectivity. The digital divide affects vulnerable Australians the most and is amplified by remoteness, socio-economic status, age, literacy and language.

Access to both connectivity and technology is an essential social equaliser in our community and has become even more essential during the pandemic. Throughout this crisis, we've seen both emerge as prerequisites for fair participation in education (as schooling moved to the home environment), access to health care (as telehealth in many cases overtook face-to-face medical appointments) and to information (the most basic Covid-19 updates are offered online first). This has all taken place with varying degrees of success, while exposing particular vulnerabilities, particularly among those Australians who we already know suffer from the digital divide.

One less talked about participation barrier has been the decline in the use of cash in favour of a preference, or even a demand, for digital or contactless payments. As cash has come to be seen as unhygienic in the context of social distancing, more and more stores have moved to prioritise, and in some cases accept only, contactless means of payment. The decline of cash is of course not unique to the pandemic, but the impact of that decline on vulnerable Australians has become more acute.

Before the pandemic, the growth in cashless payments was largely a good-news story, especially when considered in the frame of innovation and competition. Over recent years, the fintech (financial technology) sector has become ever more sophisticated in providing digital payment platforms that have made the lives of many Australians easier. Digital wallets such as Apple Pay, Samsung Pay and Android Pay free up space in our pockets. Other platforms, such as *Afterpay,* provide a non-traditional means of both credit and payment, and both traditional banks and neobanks are competing to provide convenient and personalised payment cards using traditional products such as Visa and Mastercard.

The convenience of these payment platforms ensured that their use was on the rise before the pandemic. The percentage of Australians using such products almost doubled between March 2018 and March 2020 (Roy Morgan 2020). Take-up of fintech products broadly more than doubled between 2015 and 2018 (Armour 2019). The Reserve Bank of Australia (RBA) (Caddy et al. 2020) reported that, in 2019, 83% of point-of-sale card transactions in Australia were contactless. In fact, in 2016, Australia had the highest rate of contactless credit or debit card payments in the world (Letts 2016).

Those statistics are certainly reflected in my own household. Our four children, aged between two and 14, are far more accustomed to seeing my husband and me pay for things using Apple Pay, tap-and-go or PayPal rather than cash. And, while I've often wondered about the impact of this on their own financial

literacy training (nothing beats the piggy-bank method of counting out coins to learn how money accumulates and disappears), the reality is that we use those products because they're convenient and, for the most part, safe.

However, during the pandemic, the use of digital and cashless payment mechanisms has become no longer a question of convenience, but necessity. Data from Mastercard (Duffy 2020) suggests a 44% increase in the use of contactless payments (whether via debit/credit card or smartphone or watch payment methods) in the early months of the Covid-19 crisis. Several firms and outlets announced an increase in the transaction limit before a physical pin is required, from $100 to $200 per transaction, in an effort to minimise physical contact.

Some stores even chose to reject cash payments (Mannheim 2020), accepting only electronic forms of payment. The RBA (2020) suggests that businesses are permitted to do so, provided they specify the accepted means of payment prior to the transaction, for example by placing a sign on a store counter.

The decision to prioritise cashless, contactless payment is a sensible decision for businesses concerned to protect the safety of their staff, but it hasn't been without impact on those for whom cash is the only option. As of April 2020, according to the Australian Banking Association (Wood & Morris 2020), there were more than half a million Australians who only use passbooks or transaction accounts not linked to debit cards, meaning that they have no access to electronic payment methods. RBA survey data (Caddy et al. 2020) shows that people on low incomes and those over 65 are the biggest continued users of cash. Consumers over 65 made half of their payments in cash in 2019. For those Australians, the impact of cash restrictions during this crisis has been extremely isolating, furthering their experience of the digital divide and amplifying pre-existing vulnerabilities.

If the shift towards preferring contactless payment continues after the pandemic, as it's expected to, that will raise very serious social and economic policy issues that, as a parliament, we can't ignore.

For a start, access to cash was already in decline in Australia. RBA data (RBA 2019) shows us that, while the number of ATMs per person in Australia increased three-fold over the 15 years to 2011, it has fallen in recent years. The further rationalisation of ATMs across Australia after the pandemic could mean that for the tech-less in our community—many of whom became accustomed to using ATMs only because their local branch closed—will now be forced to adapt to a new digital reality for which they aren't equipped.

There are also other flow-on ramifications from the move away from cash. Charites and not-for-profit organisations often rely on cash to survive. It's hard to imagine the many kids and volunteers raising money for charity on street corners always being able to offer a means of digital payment. This compounds the other challenges such organisations have faced during this pandemic. Similarly, Australian Bureau of Statistics data shows that, in May, 71% of small businesses had experienced at least some drop in revenue due to Covid (ABS 2020). Some surveys even suggest that 41% of small businesses have experienced a decline in revenue of more than 50%, as confidence freefalls in the light of the pandemic (Djurdjevic 2020).

Furthermore, many victims of domestic violence rely on cash, as financial abuse (perpetrators controlling family finances electronically) is common in domestic violence situations. According to a survey conducted by the Australian Institute of Criminology, 8.2% of women surveyed who are in a cohabitating relationship have experienced domestic violence since the start of the pandemic, while 22.4% had

experienced emotionally abusive, harassing and controlling behaviours, which include withholding access to finances (Boxall et al. 2020). Of that cohort, 40% said their partner had used shared money or made important financial decisions without talking to them during the pandemic.

And then there are those in our community for whom using cash isn't a choice but a necessity. The financial exclusion of low-income and vulnerable Australians is a genuine concern as cash becomes less commonly used and less readily available.

The cost of being able to access these payment mechanisms can also present an insurmountable hurdle for some members of our community, due to the digital literacy required to use such devices. Where fintech products require a smartphone or watch, access is expensive. Working out how to use one can be pretty challenging, too, for some in our community.

The use of digital payment platforms and contactless payments can also present additional transaction risks, such as the risk of being accidentally overdrawn or hit with unexpected charges. It's also necessary to monitor each transaction (again, online) to ensure that accounts are in balance and you haven't been caught up in a scam. The fact remains that, for some of the more vulnerable in our community, the fintech revolution hasn't automatically made life easier, swifter or safer, but harder, scarier and riskier, and that has worsened during the pandemic.

Of course, those risks don't exist just for vulnerable groups. Those who are 'tech-endowed' may be forced to relate to being tech-less in instances of power outages or cyberattacks. Would we all have enough cash in our wallet to pay for petrol or groceries in the event that our preferred digital payments platform went down? Probably not, but it would probably be a temporary pain anyway. For the tech-less, a cashless society presents a seemingly insurmountable challenge that will affect almost every aspect of their daily lives.

> **Fintech holds great opportunities both for Australian businesses and for consumers, and cashless and digital payments are certainly a part of that. But they also present significant challenges, which have been compounded and amplified by this pandemic.**

If, as predicted, the behavioural changes that emerged from this crisis when it comes to consumer preferences on cash use, as well as broader restrictions or conventions that prevent cash use, continue then we'll be faced with significant social and economic disadvantage for those already experiencing the other ill effects of the digital divide.

Cash use is a choice for many, but there are plenty in our community for whom it remains a necessity. If our policy response to this pandemic is, as Labor intends, to leave no one behind, then that must include those who stand to be isolated by a shift away from cash towards new financial technologies.

We can't allow Covid-19 to further entrench the digital divide. Instead, let's use it as an opportunity to ensure everyone can participate in our economy and society.

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Covid and gender

Kate Thwaites MP

In my first speech to parliament just over a year ago, I spoke about how we needed to change our culture of work and caring in Australia so that men and women could split responsibilities more evenly. I talked about how too many men were missing out on being carers for their children and the connection that brings, and how the burden of caregiving meant too many women were being locked out of the workforce, earning less over their working lives and facing uncertain retirements.

> **In the post-pandemic environment, we must remove the disincentive of an inflexible, expensive childcare system, or risk having the Australian women who have lost employment during this time drop out of the workforce for long periods or, indeed, altogether.**

I said all this because the gender gap in Australia is still too wide. The pay gap alone currently sits at 14% (WGEA 2020a) and leaves too many women in poverty. Australian women spend a whopping 64.4% of their total work per day on unpaid work, while men do just over half of that, or 36.1% (WGEA, n.d.:5).

Of course, when I made that speech, I didn't foresee that within that year workplaces across our country and across the world would undergo an immense change, as Covid-19 forced us abruptly out of our offices and into our homes. At first it seemed like that might be just the prompt for the cultural change I'd been talking about; finally, the load of at home caring work would be visible to both men and women, which surely would lead to a rearranging of responsibilities and a more equal gender divide between paid work and unpaid caring. At the same time, the Australian Government made childcare fee-free for parents for three months from April, amid worries that the sector might collapse (Curtis 2020). It seemed that this pandemic could mark a giant leap forward for gender equality.

We now know it hasn't worked out like that. In fact, the pandemic has hit Australian women harder than men, exacerbating our existing inequalities.

Even though more Australians are working at home than ever before, it's women and not men who are reporting spending more time on housework or caring for children also at home, or dropping down their work hours to take on responsibility for home schooling (Ruppanner et al. 2020). Child care is no longer 'free'. More time in the home means that women are at more risk of experiencing family violence (WGEA 2020b).

More women than men have lost their jobs, reflecting the downturn in female-dominated industries such as hospitality and tourism (WGEA 2020b). And an industry that's 97% female, early education or child care, is the only one to have had JobKeeper removed by the Morrison government (Probyn 2020).

This has serious consequences for the future of half our population and will require active intervention from government with policies designed to help women recover from the pandemic and recession and to build a more gender-equal society on the other side.

One of the most important things government could do at this time to support women would be to reform Australia's childcare system and make it more affordable and more accessible. We know that a significant contributor to the gender gap in workforce participation is the time women devote to unpaid work. Before this pandemic, women in Australia were in part-time employment at three times the rate of men, and often working in employment below their skill level, so that they could combine unpaid care and part-time paid work (WGEA, n.d.:5). Most women of child-bearing age have had the playground conversation with the mum pushing the swing next to them about what going back to work after child number two looks like, and whether those extra couple of days when all her salary is doing is covering the cost of child care is worth it.

Evidence from overseas tells us that countries with higher female workforce participation rates tend to have more access to child care (WGEA, n.d.), while research here shows us that the cost of child care in Australia is a disincentive to women being in the workforce (Wood et al. 2020). Child care in Australia is some of the most expensive in the developed world (OECD 2020). The Grattan Institute has produced new research suggesting that an extra investment of $5 billion a year on childcare subsidies would create an $11 billion a year increase in GDP from increased workforce participation. It would also mean $150,000 in higher lifetime earnings for the typical Australian mother, leading to a more secure retirement for many women (Wood et al. 2020).

In the post-pandemic environment, we must remove the disincentive of an inflexible, expensive childcare system, or risk having the Australian women who have lost employment during this time drop out of the workforce for long periods or, indeed, altogether.

It's positive that the changes the government made to childcare availability and funding during the pandemic have taken discussion of this policy area from the playground to the opinion pages of mainstream media, and that many economists are urging reform. This is an opportunity we shouldn't pass up.

Another crucial area government should take the opportunity to reform to support women out of this pandemic is Australia's paid parental leave system. The culture in which Australian women become primary caregivers for their children and take on most unpaid work in a household is set early in a family's life. Our government-funded paid parental leave system provides 18 weeks leave paid at the minimum wage to the primary carer (overwhelmingly mothers) and only two weeks to the secondary carer. Recent changes to the scheme aim to make it more flexible by splitting it into a continuous 12-week paid period and a 30-day flexible paid period that can be taken any time until a child is two (Services Australia 2020).

Taking parental leave has a negative effect on women's wage growth, and that pay penalty increases with the length of leave. Analysis of the 2009 Household Income and Labour Dynamics Australia (HILDA) data showed that Australian women returning to work after 12 months of parental leave were subject to an average 7% wage penalty. Education level or work experience reflects a reduction in wage growth over time, with the greatest impact being felt while a mother has an infant wage penalty (known as the 'motherhood penalty'), increasing to 12% over the subsequent year. In contrast, in situations in which men took leave, with each month the father stayed on leave, his partner received a 6.7% growth in earnings (WGEA, n.d.:6–7).

Research from overseas (predominantly Nordic countries) shows that those countries that include a non-transferable portion of leave that must be taken by a father have a higher proportion of men taking leave than those that don't. Men who take longer parental leave will also take on more responsibility at home: they do more unpaid housework, they're more involved in the care of their children and they have better relationships with their children (OECD 2016). That's such an important point: by having that early time when they get to be the primary carer, those fathers build lifelong bonds with their children.

Again, at a time when more women than men have been put out of work, early support for a more even split of unpaid child care between genders will be more crucial than ever in allowing women to get back into jobs. The pandemic has revealed that working from home with your kids during this crisis isn't enough to prompt most men to increase the time they spend on child care or housework. That's probably not surprising (anecdotally, most parents aren't describing the work/school/care-from-home juggle during a pandemic as a fun combination), but it does highlight the need for an economic incentive provided by paid leave to change our settings and our culture of who takes on caregiving. Australia currently invests less than half of the OECD average on parental leave.[1] We've room to invest more.

My final reflection on policy changes that would help women out of this pandemic is for more visibility, measuring and tracking of how government policy settings affect Australian women. It's not unexpected that a parliamentarian thinks that what government measures and talks about is important, but part of the reason women's needs are being left out of the response to this pandemic is that we're not very good at assessing government policy through a gender lens in Australia. After being early leaders in putting in place a gender Budget statement in 1984 under the Hawke government, Australia currently produces only a gender 'snapshot' put out by the government at Budget time (Kovac 2019). In the early days of the pandemic, the government's Economic Review Committee was made up entirely of men (SSCC-19 2020). Visibility and measurement do matter in setting government policy, and this lack of gender visibility might help to explain why we got a policy to support the construction industry early in this pandemic (the HomeBuilder scheme), but, as of the beginning of September, haven't yet seen anything concrete about a plan to support growth in female-dominated industries (Probyn 2020). Applying gender-responsive policymaking and budgeting processes to planning and decision-making about how we respond to Covid-19 will better allow government to address gender inequality.

Recovery from this pandemic isn't going to be quick. Investing in creating a more gender-equal society with policies that more evenly distribute caring and support for female workers will benefit not only women but help to create economic growth across our country. For that reason, I'm not giving up just yet on this pandemic ultimately being a force for positive change in the lives of Australian women.

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The 1950s are calling; they want their government back

Senator Larissa Waters

Covid-19 is a global health crisis, but its broader impacts have magnified our existing socio-economic inequalities, including gender inequality. Insecure work and the prospects of high unemployment rates for the next four or five years are disproportionately impacting women and threatening to unravel important progress made over recent years. The crisis has forced more women out of work and into full-time child caring responsibilities, seen more women fall sick on the front line, widened the gender pay and superannuation gaps, and caused a rise in family and domestic violence as people are forced to work from home.

We've a global health crisis that threatens to send women's rights back to the 1950s, and a government that seems to want exactly that. So, how is this happening, and how do we fix it?

What are the problems?

From the outset of the pandemic, women were losing more jobs than men. Between March and June 2020, Australian Taxation Office payroll data confirmed that the number of jobs held by women dropped by 6% (380,700 jobs), compared to those worked by males, which decreased by 5.4% (ABS 2020a).

A majority (53%) of short-term casuals are women, and are ineligible for JobKeeper (Cassells & Duncan 2020:2). Women are also overrepresented in the industries hardest hit by the pandemic, such as accommodation and food services, and arts and recreation (WGEA 2020a). And, to compound the problem, approximately 56% of women in those industries are in short-term casual employment (WGEA 2020b).

Women weren't just losing work—many of them stayed unemployed during this time. A survey by the Australian National University found that women who had left employment were more than twice as likely as men to be unemployed and not actively looking for work during May and June 2020 (Biddle et al. 2020:6).

For those lucky to retain paid work, now more than ever, women are trying to juggle unpaid care with their paid employment responsibilities. Various recent studies (for example, Alon et al. 2020:10–17) confirm that women continue to spend far more time on unpaid care work than men. As Helen Lewis called it in *The Atlantic* back in March:

> when people try to be cheerful about social distancing and working from home, noting that William Shakespeare and Isaac Newton did some of their best work while England was ravaged by the plague, there is an obvious response: neither of them had child-care responsibilities. (Lewis 2020)

Before the pandemic, women were already doing the lion's share of domestic work. The government's Workplace Gender Equality Agency estimated that women spend approximately 64% of an average working week on unpaid work, compared with 35% for men (WGEA 2016:3–4). Australian Bureau of Statistics household surveys confirm that the division of housework, child care and caring for other family members and friends remains largely unchanged in the pandemic (ABS 2020b). Taking into account increased demands for child care, supervising remote schoolwork and caring for sick relatives, the

amount of unpaid labour has gone up, and women have somehow been trying to find more hours in the day to do it all.

With closures to schools, early childhood education and childcare services, and many families losing babysitting support from vulnerable grandparents, a lot of childcare and education responsibilities during the working week shifted to parents, mostly mothers (Crabb 2020).

The pandemic quickly forced a rethink of the social support system. Finally recognising the critical link between child care and workforce participation, the government announced national free childcare for all (Klapdor 2020). It helped to ease the financial burden families were facing and ensured that women had more ability to engage in paid work. That fleeting relief was gone too quickly.

The Prime Minister scrapped free child care and also announced that he was cutting early childhood educators and childcare workers— an industry largely staffed by women—off JobKeeper (Hayne 2020).

It's not a coincidence that, around the same time, the Treasurer told the women of Australia that, in order to boost the economy, they needed to have more babies (Olle & Curtis 2020). Let's see: stripping families of accessible child care, knowing that women, on average, do a majority of care work; taking financial support away from a female-dominated industry; and telling women to pop out some little ones for the good of the nation? He should have just come out and admitted the government wants its women back in the kitchen.

A constituent rang my office recently to talk about why more Australian women were contracting Covid-19 than men. Were they acting irresponsibly? Were they biologically more susceptible? Most likely it's because more women dominate professions like early childhood education and childcare, teaching and nursing (WGEA 2020a, NMBA 2020)—industries that have been crucial to us surviving this pandemic, but are also most exposed to the virus.

And yet paid pandemic leave has, at the time of writing, only just been made available to workers under lockdown in Victoria, NSW and Tasmania. The rest of the country—especially casuals, especially those working on the front line with a higher chance of catching Covid—are still forced to choose between going to work sick and putting food on the table.

Being required to stay at home has also disproportionately put women's lives at greater risk. Far from being a welcome relief from the morning commute, for many women confinement means being trapped indoors with their abuser. The Australian Institute of Criminology estimates that roughly one in 10 women in a relationship has experienced violence during the pandemic—a third of whom for the first time (AIC 2020:16)—and women's safety organisations anticipate a sustained spike in violence once restrictions are lifted due to economic pressures and uncertainty (Doran 2020). Yet the federal government has committed only a meagre amount to assist the already underfunded and overstretched frontline services to meet this increase in demand, leaving many women at risk. That small amount of funding that the federal government released took months to trickle down to the states and on to the frontline services awaiting the extra resources (McCauley 2020).

We're on the edge of a precipice. This pandemic has put women out of work and into the kitchen; it threatens to further reduce their long-term financial security, and could widen economic disparity for decades to come. Women have fought for centuries for the rights and opportunities we have today and we must fight to hold them.

How can we fix them?

Now, more than ever, the women of Australia need policies that support them, create jobs, close the gender pay gap, and value the unpaid care work they disproportionately perform.

So, how do we help women recover from the pandemic?

If the government wants an economic stimulus, free child care should be a no-brainer. The evidence is clear that investing in accessible, high-quality early childhood education improves not only outcomes for later learning but also women's workforce participation. Child care in Australia is unaffordable, and mothers, more often than not, are paying the price. The Grattan Institute recently found that an extra $5 billion towards childcare subsidies would boost women's workforce participation, resulting in an $11 billion a year increase in GDP and an increase in a typical mother's overall lifetime earnings of $150,000 (Wood et al. 2020:3–4). Imagine what would be achieved if we made child care free to all!

We can also take steps to encourage more equitable division of caring responsibilities. The ABS used to collect data about how much time is spent doing unpaid work (known as the Time Use Survey), but that was defunded in 2006. It's slated to be reintroduced in 2021 and could provide the data basis for stronger gender-equity policy interventions. Valuing unpaid care work is crucial. Workplace and social security policy solutions must be investigated, for both full-time carers and those only temporarily out of the workforce. This should include consideration of a universal basic income for carers and the payment of superannuation to carers ('caring credits').

Our current paid parental leave model harks back to times when men were seen as the ones to bring home the bacon, and women as the ones to cook it up for them. There are many lessons we could learn from Scandinavian countries about giving families more options and encouraging both parents to take parental leave (Martin et al. 2014, Vuri 2016, Kalb 2017). A cultural shift is also needed to ensure that workplaces have policies that encourage all employees to take parental leave. Paying super on paid parental leave is also long overdue.

Instead of investing in gas or doling out $25,000 for home renovations, the government should also be expanding the paid care economy, which is largely dominated by women. The Australia Institute's report on child care found that industries such as child care create around eight jobs (for women) for every $1 million that the government spends on them, and that compares very favourably to the 0.2 jobs that women get if we spend that money on construction (Richardson & Denniss 2020:1). The Greens' Invest to Recover plan would create 105,000 new jobs in disability, aged care and child care (Australian Greens 2020:32–33).

It goes without saying that we should not only extend JobKeeper until our economy has restabilised, but expand it to include early childhood education workers, university workers, casual workers and migrants. And we need to raise wages in lower paid jobs in early childhood education and child care, teaching and nursing.

The decisions women have been forced to make to survive this pandemic will have lifelong ramifications for their financial security. The gender pay gap (14%) has persisted through the Covid recovery (WGEA 2020c) and has made it more difficult for women to pay debts accrued during this time.

The Morrison government's early superannuation release program is a short-sighted fix that will punish women in years to come. Women have been drawing down their superannuation balances to get by during this pandemic because Australia's safety net has failed them. Women who access the scheme are withdrawing a higher proportion of their super balances than men, and around 14% of women have cleared out their entire super balance (AMP 2020). The gender super gap has widened from 25% before the withdrawals to 29% afterwards (AMP 2020).

There are ways to fix this. We can raise minimum wages in the lowest paid industries, in which, sadly, women are overrepresented (WGEA 2020c). We can legislate to make sure women are paid superannuation while on parental leave. We could scrap the $450 superannuation threshold that prevents those juggling a number of casual roles from accruing super—a move recently rejected by both major parties despite being supported by many industry stakeholders (Waters 2020).

We can strengthen the role of the government's Workplace Gender Equality Agency by extending its remit to the public sector and giving it more powers to penalise employers who fail to report on and take steps to address the gender pay gap in their workplaces.

We can get rid of pay gag clauses that prevent women finding out about or openly discussing the differences between their pay and the pay of their male counterparts.

We can set meaningful targets for female representation on public- and private-sector boards and government advisory councils, and prevent large employers who aren't taking active steps towards gender equality from accessing government grants and contracts.

And we need to urgently increase funding for crisis accommodation and housing support and frontline domestic and family violence services to keep women and children safe.

Since Tony Abbott axed the women's Budget impact statement, there's been no formal process to analyse the impacts of government decisions on women. As a result, women continue to be overlooked. We need more women in parliament, more women in cabinet, and a formal budget process that considers the ways that funding decisions help or hinder women's progress.

Women make up 51% of Australia's population. They deserve to be a priority, not an afterthought.

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The promise of our federation

Jason Falinski MP

> 'In darkness, seen'—the hidden cost of indulged insiders
>
> —'Inferno', *Divine Comedy*, Dante Alighieri, 1320

In our common despair, it's easy to focus on the bottomless pit of darkness; it's much harder to raise our eyes to the far-off light. But let there be no mistake: this is a choice. As the pandemic gives way to economic recovery, our choices will be stark. We can bemoan the darkness or seek out the light. We can take this moment to rebuild the promise of our federation into a modern nation. We can reassert that real justice is found when all people, no matter where they're from, what they want to do or where they want to go, can live freely and with the chance to live long and prosper.

In the space of months, we've gone from a multi-billion-dollar 'back in black' surplus to a deficit higher than at any time since World War II (Australian Government 2020:1). The inferno of Covid has exposed flaws in our systems and institutions that have been papered over in our three-decades-long economic expansion.

In this paper, I focus on two aspects of that injustice and the challenge before us: the cost of dumb regulation, and the unfair nature of our workplace laws. I focus on those areas precisely because the inconvenient facts they present are given so little attention.

The primary inconvenient fact is this. If we're truly the world's luckiest continent with some of the world's best workers, why do people not want to invest here, build businesses here, and employ people here? We all know the answer: Australia, despite our luck and talent, has legislation, regulation, litigation, education and taxation systems that lag behind much of the OECD's. Decades of vested interests have created a culture deeply rooted in helping the few at the expense of the many. This government has challenged the culture of special interests at every turn by advancing the rights of Australian workers and our values of freedom and fairness. Helping businesses employ people and employees gain fulfilling jobs isn't only about recovery; it's about supporting the aspirations of Australians across this nation.

Productive economic growth brings hope for the future, opportunity in the present and financial security for working Australians. That's why economic growth matters.

Economic history is littered with examples of governments driving sustainable growth through well-regulated markets framed by simple, transparent and efficient regulations, coupled with innovative working arrangements that benefit workers. In Australia, vested interests have worked to ensure that this doesn't happen.

Regulation, when done well, reduces transaction costs, expands markets and allows people to invest in new products and services, rather than lawyers. When done badly, it has the impact of misallocating scarce resources towards transaction costs, such as lawyers, or marketing activities that seek to confuse consumers.

George Stigler, in his seminal work on regulation, demonstrated that regulations commence with the intent of protecting consumers but often have the unintended consequence of protecting producers (Stigler 1971). Australia is currently one of the world's most regulated countries. It's difficult to credibly

argue that all this regulation has made Australia any better off, our consumers safer, market failure lower, prices more discoverable or rip-offs fewer. In fact, if you listen to many consumer advocates, the average consumer has never been worse off. That's despite the fact that governing bodies throughout this country have covered our land in new, complicated and in many cases counterproductive regulations.

The Rudd–Gillard–Rudd governments introduced more than 55,000 new pieces of regulation in their short tenure.

Those regulations have created significant barriers to a dynamic, innovative and productive economy. Small businesses face growing challenges that hinder growth, reduce employment and institutionalise an unfair society governed by vested interests.

Defective regulation doesn't improve job opportunities or provide financial security. In fact, it has the effect of stifling innovation and undermining our economy while failing to provide baseline quality assurance.

The Productivity Commission has pointed out that real damage is done to the economy when regulation is compounded, requiring enterprises to either risk being in contravention or expend vast resources on compliance.

Over decades, successive layers of regulation have created a bureaucratic culture at the heart of many industries. In fact, the regulations have become an industry in themselves. Australia leads the world in class actions, taxpayer-funded advocate groups and lobbyists. For every journalist in Australia, there are almost 12 public relations professionals (*Sheehan 1998*). These regulation entrepreneurs are highly profitable: a litigation funder recently revealed that its two Australian funds have a return on invested capital of over 300% (PJCCFS 2020).

Needless to say, those extraordinary profits come at the expense of better products and services.

Australia's regulatory framework is driving a material misallocation of resources away from those activities that provide financial security for our citizens. From industrial relations (IR) to tax and superannuation, the regulation that underpins the prosperity of our society is misdirected and not achieving its stated objectives.

Our regulatory framework is jealously guarded by vested interests who benefit from locking away opportunities for the rest of us.

Take, for example, workplace laws in Australia. According to the World Economic Forum, our IR system has more in common with the third world than with developed nations. The centralisation of our workplace bargaining system means that our ability to create the jobs of the future is damaged.

Except for the privileged few, and when unemployment rates are likely to exceed 10% (Sullivan 2020), the Fair Work Commission discourages employment, productivity and higher wages. There are more than 100 different applicable rates and a 23-step process requiring five checklists from different government agencies just to hire someone.

This disadvantages everyone seeking to create jobs and undermines ordinary Australians looking for work, and its only real effect is the diminution of economic opportunity and hope. Small and medium-sized enterprises (SMEs) are responsible for 76% (ABA-NAB, n.d.:s3) of all new jobs and 56% (ABA-NAB, n.d.:s3) of total national production yet bear the brunt of compliance costs: 70% of small businesses report that government red tape is a burden that detracts from their business (ABA-NAB, n.d.).

With excess regulation costing $9.3 billion per year for small businesses (ABA-NAB, n.d.:s16), this problem cuts to the heart of our national productivity and international competitiveness.

Unlike larger corporations, which have departments dedicated to compliance, start-ups, SMEs and family-run businesses are paying on average $90 in compliance costs per $1,000 of turnover (ABA-NAB, n.d.:s16). Compare that with larger firms paying $0.40 per $1,000 of turnover (ABA-NAB, n.d.:s16) and the scope of the issue becomes clear. We're regulating innovators and the largest employers of our society out of existence.

The cost is two-fold: lost jobs and less dynamism in our economy.

Freer markets, such as Australia's, were able to outperform in meeting the material needs rapidly brought about by COVID-19. What we can do to strengthen free markets by making regulation smarter, fairer and more efficient will supercharge our recovery from the Covid-19 crisis. There are clear opportunities at the federal level, especially in permitting workers and managers to talk to each other about increasing workers' wages. After all, as the World Economic Forum has pointed out, our IR system is ranked 72 out of 122 in the world (WEF 2018).

At the state level, planning, tax, education and infrastructure are very obvious opportunities for improvement.

Unfortunately, the vested interests that profit from current regulation are trying to take us in the opposite direction. The ACTU has demanded even greater centralisation in our workplace laws. Unions are seeking to place themselves between workers and employers to an even greater extent.

Of course, many of the arguments they use to advance this position are problems that have arisen under the very laws they spent millions advocating for. The Fair Work Act and the Fair Work Commission have created less secure employment and increased job insecurity.

The IR Club wants to maintain a world in which workers are bonded to businesses for life and their conditions are determined by a far-off tribunal that they have no say in. In contrast, the gig economy presents an opportunity for people to design their own work lives, on their own terms and conditions. Given Covid-19, the role of government should be in creating tax incentives to help Australians get back to work.

The Treasury has shown that, since the Fair Work Act and the Fair Work Commission came into being, 'wage growth in Australia is low' (Treasury 2017:3) across critical metrics; for example, the Wage Price Index is at the lowest level since the index began. There isn't a single state or territory where wage growth hasn't significantly declined from 2012 (Treasury 2017:5). The downward pressure on wage growth is worsening and the pace of decline is increasing as more and more people come off enterprise agreements and rely on the Fair Work Act.

Australia's workplace laws should give workers more choice, better jobs and improved pay.

The first step to reducing unemployment requires us to make hiring easy and the cost of compliance cheaper. Creating integrated systems across government departments to eliminate duplication and automating processes will be critical.

Wherever vested interests have been powerful, governments have been undermined in their attempts at making genuine reform. More often than not, genuine stakeholders are the subject of misinformation campaigns, and the politicisation of the issue results in little change. We can't allow a generation of Australians to have their aspirations lost to a global pandemic. The singular goal of government should be to get our nation back to work. The times demand that we reimagine the promise of our Australian federation to undo the heavy burden and to let the oppressed go free. We must recreate a nation in which all people are empowered and have the opportunity to live long and prosper.

In true Dantean form, it's often in times of darkness that we're able to identify the solutions to problems most clearly.

Our federation was designed to make our continent whole. At the moment, some are enjoying driving us apart. If we want a brighter future and the real justice of equality of opportunity, we have to grasp the opportunities that better regulation and legislation will give us as a nation.

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Conclusion

Genevieve Feely and Peter Jennings

When we put the call out for chapters from parliamentarians, we were unsure what to expect. Would there be much interest in contributing to a diverse, cross-party publication in which no topic was off limits? To our delight, 49 chapters were submitted from all sides of politics on a wide range of issues. Some key themes emerged after submissions started rolling in.

Concerns about supply chains are at the forefront—so much so that readers would have noted that a whole section has been dedicated to them. Those supply-chain concerns focused on both security and prosperity. We need strong and secure supply chains to assure access to a vast range of essential goods. Australia can also play a substantial role as a stable and predictable source of exports, including from the agricultural sector, critical minerals and rare earths and as a provider of high-quality education services.

Consideration of our global outlook is dominated by China, and four contributions focused specifically on how to respond to China both during and after this crisis.

How Australia assures its prosperity and security after the pandemic is a central concern for our parliamentarians. Different contributors offered alternative models for society, such as using wellbeing as a metric instead of economic output or emphasising improving the climate in the recovery phase of the crisis. Whatever the topic, our MPs clearly have an intuition that there's an opportunity for change and that the opportunity needs to be seized to improve Australia's security and prosperity.

It's obvious that there are strongly divergent views on policy choices here, but a common uniting theme is the need to ensure that Australia learns lessons from the pandemic experience. As Senator Kitching aptly noted in her contribution, 'we need to apply what we learn to make better public policy choices so that we are never placed in such a vulnerable position again', in reference to the lessons to be learned from the pandemic. Indeed, Senator Molan called for an 'Australian renaissance' in the post-Covid period, noting strongly that 'we have an obligation to turn the post-Covid period into Australia's renaissance though vision, policies and strategies that create a self-reliant, prosperous, sovereign nation at no permanent cost to our real freedoms.' There are many valuable suggestions within this volume for doing just that.

In concluding the first *After Covid-19* volume published at the start of the pandemic, we noted that 'there's so much to do and so many challenges to address'. This remains true as we near the end of 2020. This volume offers glimpses of Australia's policy future. We wish our MPs well in their deliberations on our national prosperity, security and wellbeing in the future.

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Acronyms and abbreviations

ABS	Australian Bureau of Statistics
ACOSS	Australian Council of Social Service
ADF	Australian Defence Force
ALP	Australian Labor Party
APEC	Asia–Pacific Economic Cooperation
API	active pharmaceutical ingredient
ARENA	Australian Renewable Energy Agency
ASEAN	Association of Southeast Asian Nations
ASIO	Australian Security Intelligence Organisation
ATM	automatic teller machine
BRI	Belt and Road Initiative
CBD	central business district
CCP	Chinese Communist Party
CDR	consumer data right
CEFC	Clean Energy Finance Corporation
CIRES	Centre for International Research on Education Systems
CPRs	Commonwealth Procurement Rules
CRC	cooperative research centre
DIPS	Defence Industry Policy Statement
DRC	Democratic Republic of the Congo
EU	European Union
FTA	free trade agreement
GDP	gross domestic product
GDPR	General Data Protection Regulation (EU)
GFC	global financial crisis (2007–08)
HILDA	Household Income and Labour Dynamics Australia
ICT	information and communications technology
IFAM	International Freight Assistance Mechanism
IMF	International Monetary Fund
IP	intellectual property
IR	industrial relations
ISIS	Islamic State of Iraq and Syria
ISP	Integrated System Plan
ISR	intelligence, surveillance and reconnaissance
LNG	liquefied natural gas
LPS	Local Power Scheme
MoU	memorandum of understanding
Mwh	megawatt hour
NATO	North Atlantic Treaty Organization
NFF	National Farmers' Federation

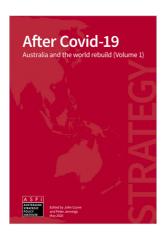|	
NGO	non-government organisation
OECD	Organisation for Economic Cooperation and Development
PBO	Parliamentary Budget Office
PISA	Programme for International Student Assessment
PPE	personal protective equipment
PSD2	Revised Payment Services Directive (European Commission)
R&D	research and development
REE	rare earth element
SARS	severe acute respiratory syndrome
SMEs	small and medium-sized enterprises
STEM	science, technology, engineering and mathematics
UK	United Kingdom
UN	United Nations
UNCI Scheme	Underwriting Community Investment Scheme
WHO	World Health Organization

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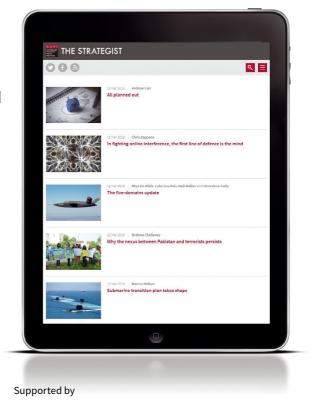September 2020

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After Covid-19
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For policymakers, this volume offers a window into thinking from all sides of the House of Representatives and Senate, providing insights to inform their work in creating further policy in service of the Australian public. For the broader public, this is an opportunity to see policy fleshed out by politicians on their own terms and engage with policy thinking that isn't often seen on the front pages of major news outlets.