



8 December 2011

Committee Secretary
Joint Standing Committee on Foreign Affairs, Defence and Trade
Department of House of Representatives
PO Box 6021
Parliament House
CANBERRA ACT 2600
AUSTRALIA

Dear Committee Secretary,

ANZ welcomes the opportunity to contribute to the Joint Standing Committee on Foreign Affairs, Defence and Trade's Inquiry into Australia's overseas representation.

ANZ operates in 32 markets globally with representation in Australia, New Zealand, Asia Pacific, Europe, America and the Middle East. ANZ has, in particular, significant operations in the Asia Pacific region, including representation in 14 markets across Asia and 12 markets across the Pacific, where we provide a full range of banking products and services to ANZ's retail, business, corporate and institutional clients.

ANZ works closely with the Department of Foreign Affairs and Trade (DFAT) in Canberra and our international diplomatic missions. We greatly appreciate the support DFAT has provided for our growth in Asia and Australia's broader trade agenda. We also appreciate their willingness to make representations on our behalf where appropriate.

Australia's overseas representation, particularly in the Asian region, is of long strategic importance to the country. Australia has a small population but large land mass which is rich in natural resources. Traditionally, our security partners and export markets have been located outside our region. As a result, it has been necessary for Australia to be outward looking to ensure our trade and security interests are protected.

Regional engagement has also been an important element of Australia's foreign policy. Since the mid-20th Century Australian Governments have realised that we require a strong diplomatic presence in the Asia-Pacific region. As economic activity in the world moves from Europe and the US to the rapidly growing economies in Asia, these relationships become ever more important.

Of Australia's top ten two-way trading partners, seven are countries in Asia. China is now Australia's most important trade relationship contributing 19.7% of Australia's two-way trade with the world. Japan, despite ongoing weakness in its economy, is still Australia's second most important trading partner, contributing 11.8% of our two-way trade. India and Indonesia, respectively the 2nd and 4th most populous countries in the world, are also growing rapidly and will emerge as important global economies.

Within key countries in Asia, regional power centres are also emerging. Cities and regions in China, particularly inland cities, and India are growing rapidly and becoming large economies in their own right. Over the next 20 years, some Chinese provinces will grow to have economies as large as second tier developed nations such as Australia and Canada.

Australia's geographic location gives us an advantage in accessing these markets. However, the geopolitical stability of the region remains uncertain. Any instability will have repercussions for Australia. Our ability to deftly manage our diplomatic relationships and any tensions will be fundamental to Australia's future economic prosperity and security.

In this environment, it is important that Australia's overseas representation is adequate, well resourced and trained and aligns to our security and trade priorities.

A 2011 Lowy Institute report, *Diplomatic Disrepair: Rebuilding Australia's International Policy Infrastructure*, found that Australia has the smallest diplomatic network of the G20 nations, and a smaller network than most OECD nations (95 posts compared with an average of 133 in OECD countries). Those with smaller diplomatic networks tended to be countries with much smaller populations in more stable geopolitical regions and often able to rely on the membership of a regional bloc such as the European Union.

In particular, the Lowy Institute observed that Australia is over-represented with missions in Europe compared with higher priority regions such as the emerging economies of Asia and Latin America. ANZ believes we need to increase our focus and presence in the Asian region. These locations need to be adequately staffed by well-trained DFAT officers, including those with local language skills.

We also cannot ignore the growth of regional power centres within countries in our region. Diplomatic representation in these emerging centres of influence and economic opportunity will help facilitate greater access for Australian exporters and businesses. We note that over the last few years DFAT has opened new diplomatic posts in Mumbai and Chennai in India. This is a welcome development but representation is still lacking in many growth centres, in particular in China.

As a small country with limited resources, a particular focus of our diplomatic resources should be public diplomacy, in particular e-diplomacy. This 'soft power' is intended to improve attitudes towards Australia and promote understanding and acceptance of our national interests. In the absence of deep people-to-people links with many of our regional neighbours, it is one of the most important tools the Government can use to influence our external environment. Importantly, it can allow the pre-emptive resolution of issues in a timely and cost-effective way.

Technology and innovation are providing new tools for public diplomacy. In 2003, the US State Department established an Office of eDiplomacy and successive Secretaries of State have championed the need for e-diplomacy. DFAT does not have an office dedicated to a department-wide e-diplomacy strategy and is yet to take advantage to the opportunities available to further Australia's public diplomacy through the use of online resources and social networks. ANZ believes this needs urgent attention.

ANZ would be pleased to provide further information about this Submission as required. Please contact Michael Johnston, Head of Government and Regulatory Affairs on 03 8654 3459 or michael.johnston2@anz.com.

Yours faithfully,



Alex Thursby
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