



Australian
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STRATEGIC DIPLOMACY IN THE 21ST CENTURY

Canberra, 26 March 2015
Workshop Report

Asia Pacific College of
Diplomacy

Strategic and Defence
Studies Centre

Coral Bell School of
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*Strategic thought draws its inspiration each century,
or rather at each moment of history,
from the problems which events themselves pose.*

(Raymond Aron, 1970)

*It is the task of diplomacy to circumvent the occasions of war,
and to extend the series of circumvented occasions:
to drive the automobile of state along a one-way track,
against head-on traffic, past infinitely recurring precipices.*

(Martin Wight, 1978)

A joint workshop organised by
the Asia Pacific College of Diplomacy (APCD) and
the Strategic and Defence Studies Centre (SDSC)

CONVENORS:

Associate Professor Jochen Prantl and Professor Evelyn Goh
Canberra, 26 March 2015

INTRODUCTION

A/Prof. Jochen Prantl and Prof. Evelyn Goh

Strategy entails linking ways and means to achieve specific goals, while diplomacy is a vital means by which a state navigates the paths chosen towards its identified policy ends. The connection between strategy and diplomacy is rarely explored in great detail. While the two concepts seem to be looking at rather different phenomena, this workshop explored the intersection between strategy and diplomacy.

The joint workshop constitutes the launch of a major project, Strategic Diplomacy, which takes a hard look at the international society's capability to solve the most urgent collective action problems of our time.

The contemporary international order is marked by unprecedented complexity and uncertainty, with the capacity for sudden and dramatic change. Taking insights from complexity theory as a point of analytical departure, it is best understood as a complex adaptive system of highly interconnected units or elements, shaped by innumerable variables, with the capacity for sudden and dramatic change. Causality is not linear, and consequences are often disproportionately related to causes. The entire system exhibits properties and behaviours that are different from those of the individual parts.¹

Policy makers are increasingly faced with an infinite range of alternatives and uncertain consequences to choosing each alternative. Many states also no longer possess a compelling national narrative such as empire, religion, independence, or the Cold War on which to base their grand strategy. As a result, strategies are becoming themselves the sources of contestation and conflict, at both the national and international levels.

Effective strategy is therefore essential for providing a compass to navigate the fog of uncertainty in a world filled with 'unknown unknowns'. Given the imperative of having to discipline and prioritise a panoply of risks and threats, the strategic underpinnings of diplomatic practice are more crucial than before, particularly because the common reaction to complexity and uncertainty is to seek refuge in tactics, technocracy, or sheer process.

A set of important research questions arises: what does this new form of strategic conflict or contest over strategy look like, how is it managed, and with what effects?

Against this context, the workshop introduced the new concept of 'strategic diplomacy,' defined as the process by which state and non-state actors socially construct their view of the world, set their agendas, and communicate, contest and negotiate diverging core interests and goals.

This concept encompasses two key ideas: a) diplomacy undertaken with accentuated strategic rationale; and b) the diplomatic practices of contesting and negotiating conflicting strategic ideas.

At the policy level, strategic diplomacy is the tool to navigate the complexity and uncertainty of twenty-first century international relations.

In developing the new concept, this workshop addressed three basic questions:

1. What is strategic diplomacy? How does it differ from conventional diplomacy?
2. Why does it matter? What are the goals, objectives, and intended effects?
3. What are the alternatives to strategic diplomacy? What are the prospective costs and benefits of strategic diplomacy?

The discussion of strategic diplomacy revolved around four themes:

1. Grand Strategy
2. Great Power Management
3. Economic Security
4. Intervention and Peace-building

Each theme was introduced by a lead discussant, which was followed by a plenary discussion. The following sections summarize the key take-home points of the thematic debates.

¹ An early attempt to study the effects of complex social systems provides Robert Jervis, *System Effects: Complexity in Political and Social Life* (Princeton: Princeton University Press, 1997).

GRAND STRATEGY

Lead discussant: Prof. Paul Dibb, Strategic and Defence Studies Centre, ANU

In the first session, the workshop considered the contemporary relevance of 'grand' strategy, given the complex post-Cold War security environment, and the extent to which strategic diplomacy might relate to or help in formulating grand strategy today. Paul Dibb, former Australian defence and national intelligence official and a specialist in Cold War great power strategy and post-Cold War Asia-Pacific regional institution-building, lead the discussion with a presentation focused on (a) how grand strategy was understood and practised during the Cold War; (b) how the notion of grand strategy has evolved or changed after the Cold War; (c) whether grand strategy is still relevant without the superpower conflict; and (d) whether and how non-great powers make grand strategy.

Dibb began by observing that contemporary analyses of the Cold War often underestimate its dangers and complexities, and that each side did not always know what it was doing. Nevertheless, there eventually evolved rules of engagement, both within each superpower's sphere of influence as well as across them – examples of the latter being nuclear arms control and incidents at sea agreements between the United States and Soviet Union. As the late Coral Bell of the ANU demonstrated in her work, there was a "central balance" and repeated signalling between the superpowers during the Cold War. The Cuban Missile Crisis was a successful litmus test of management, signalling and negotiations between the superpowers during the Cold War, although this did not always work – for instance, Soviet alarm about the Able Archer NATO exercise in 1983 nearly escalated into both superpowers using nuclear weapons against each other because there was a relative lack of signalling and cultural understanding between the two countries during that period.

Essentially, Dibb argued that the notion of grand strategy remains the same regardless of the Cold War's end. Moreover, the Soviet Union's successor, Russia, with its nuclear weapons arsenal, remains the major security issue for Europe and for the United States in Europe. What has changed is the US ability to make and implement grand strategy: in the wake of the American hubris following the belief that they won the Cold War, the US has become "bogged down in tactics". The result has included excessive military interventions around the world, the lack of Cold War-style great power agreements, and the "proliferation of talk shops" especially in the Asia-Pacific. This alphabet soup of talk-shops – such as Asia-Pacific Economic Cooperation (APEC), ASEAN Regional Forum (ARF), ASEAN Defence Ministers Meeting (ADMM) and East Asia Summit (EAS), among others – is not going anywhere. These institutions are unable to deal with the serious remaining geopolitical conflicts in the Asia-Pacific. The ASEAN led institutions, in particular, often avoid contentious issues and are moving at a pace that is comfortable to none of the countries involved. Thus, Dibb observed that "grand strategy is dead" in the region. Where are the strategic agreements between the US and China, and between China and Japan? These regional institutions are a poor substitute for grand strategy, embodying "diplomacy without strategic focus". Dibb asked the participants to reflect on who is to blame for this state of affairs.

Adding that grand strategy "is the business of superpowers and great powers" and non-great powers do not 'do' grand strategy, Dibb reminded the workshop of the remaining geopolitical conflicts in the Asia-Pacific and the world, and the necessity for grand strategy.

During the ensuing discussion, workshop participants explored further the relationship between grand strategy and strategic diplomacy, and the extent to which strategic diplomacy provides a more inclusive lens through which to understand and analyse contemporary strategic interactions between states.

Picking up Dibb's claim that only great powers get to 'do' grand strategy, one participant pointed out that shifting from a 'grand strategy' to a 'strategic diplomacy' lens would allow the analyst to include the concepts and practices of non-great powers. This makes the project attractive to a wider audience, for instance, if it can develop suggestions for strategic diplomacy applicable to Australia. One policy practitioner added that contrary to the Martin Wight quote, diplomacy in practice tends to be "a thousand ideas every day", subject to short-term pressures – thus the key challenge is how to give focus to this panoply of ideas. Participants agreed that, while absolutely essential, strategic diplomacy is rare in practice. It is made harder by the 24/7 media cycle, which creates constant distractions and focuses on tactical details, rather than the 'big picture'. This is exacerbated by the fact that there is often contestation within the national realm over what a country's core interests are.

Nevertheless, some countries have succeeded in strategic diplomacy at the regional level. For example, South Africa has been successful within the context of sub-Saharan Africa while Singapore has been successful in Southeast Asia. There have also been other instances when Australia has displayed strategic vision and marshalled resources effectively in pursuit of a clear goal; for instance, Australia played a prominent role in the formation of the United Nations, and contributed substantially to the peace process and elections in Cambodia, as well as to peace-building efforts in East Timor.

The strategic diplomacy agenda assumes that a national strategy is in place. Yet, a country's perpetual interests are often hard to identify and uphold in the face of urgent events that require short-term responses, and against the background of a growing range of threats in an increasingly interdependent world. This raises the question as to whether the current strategic environment is so complex and uncertain that all states – great powers or not – find it hard to think strategically. In comparison, the Cold War period seemed to contain simpler goals and interests. Participants debated whether grand strategy is possible only under certain conditions. Are threats, such as the fear of communism or danger of nuclear war, the primary motivators for a country having a grand strategy or can a grand strategy be articulated and implemented even in the absence of such clear threats? One participant argued that grand strategy is “only needed when required”. In a favourable international system, diplomacy focuses on ‘a million little things’ rather than on one grand strategy. Countries do not need grand strategy unless they can identify trends that threaten their interests and position in the international system. European countries, for instance, are highly focused on Russia at the moment due to its annexation of the Crimea, but they paid less attention to Russia in the last twenty years, instead concentrating on a whole range of different issues.

Returning to the concept of strategic diplomacy itself, participants sought to distinguish it from ‘tactical’ diplomacy, including how strategic diplomacy is more targeted in the use of tools such as framing and narratives to define and ‘sell’ the ‘national interest’. A good comparison was made between how Australia and Singapore approach relations with the US and China. Singapore is perceived to engage in strategic diplomacy because it has a clear and consistent script of ‘not choosing either side’, ‘inclusive engagement’ and ‘balance of influence’, in contrast to Australia's lack of an identifiable script.

Participants considered the importance of domestic conditions in facilitating strategic diplomacy. Liberal democracies in general find it relatively difficult to sustain coherent, consistent narratives due to contestation among domestic interest groups and elite factions. For instance, in *War in a Time of Peace*, David Halberstam shows the pulling and hauling between Presidents Bush and Clinton and military chiefs in US national security strategy making during the immediate post-Cold War years. The discussion also highlighted the importance of a government's ability to ‘sell’ a strategy at home. Because of the importance of domestic audiences, strategic diplomacy does overlap with ‘public diplomacy’. The issue of domestic imperatives was explored in greater depth in the subsequent session on economic security. One participant specialising in the study of diplomacy highlighted the ‘dark side’ of diplomacy, which can also be used as an instrument for inciting crises and initiating wars.

While domestic factors play a role in how skilled a country is in practicing strategic diplomacy, external conditions also impact a country's strategic thinking, goals and diplomacy. For instance, countries with a vested interest in existing international rules and regimes often pursue the wider strategic goal of maintaining the existing international order or enhancing its resilience. For instance, Australia sees its core strategic interests as located within its alliance with the United States and believes that this contributes to the stability and resilience of the international system and therefore seeks to sustain both American primacy and the alliance when designing national strategy. In the economic realm, countries that benefit from the liberal capitalist order would tend to aim to sustain and expand it, for example by negotiating multiple free trade agreements and seeking other liberalisation initiatives even when global trade talks are stalled.

Finally, a participant specialising in military strategy reminded the convenors that grand strategy is not necessarily the same as national security strategy. Strategic studies scholars tend to ascribe grand strategy only to great powers because it involves marshalling all national resources as well as the active threat or prospect of war, for systemic purposes. But non-great powers seldom have systemic impact. At best, middle powers may have regional strategies in which they try to exert influence over the international system within their neighbourhoods. Thus, it may be helpful to distinguish between ‘grand’, ‘regional’, and ‘national’ strategies.

GREAT POWER MANAGEMENT

Lead discussant: Prof. Hugh White, Strategic and Defence Studies Centre, ANU

The second session of the workshop examined whether and how strategic diplomacy comes into play in (a) how great powers try to orchestrate international order; and (b) how smaller states try to manoeuvre between great powers. Hugh White, former Australian defence official, journalist, and author of *The China Choice* advocating a concert of major Asia-Pacific powers, led the discussion with a presentation on (a) whether all great power diplomacy is by definition strategic; and (b) the extent to which great power management in each of the two senses above has changed since the Cold War.

White began by highlighting two understandings of 'strategy': big 'S' Strategy as the use of armed force in international affairs; and small 's' strategy, or the more generic connection of ways, means and ends in a longer-term perspective. Working from both these understandings, White posited that strategic diplomacy may be understood as "diplomacy that is aimed at influencing the shape of international order", as opposed to tactical diplomacy, which tries to influence others within the international order "as it is". In other words, White suggested, strategic diplomacy is most pronounced at junctures when the international system is undergoing significant changes or challenges and states have to choose to resist, reform, or exit the existing order. In such conditions, the role of armed force is very likely to be subject to debate and change, because "international order is ultimately about what great powers and others are willing to go to war over". Reflecting a Strategic Studies view which privileges the big 'S' view of strategy, White further suggested that it is only in regard to use-of-force options that 'Strategic' diplomacy would be "special".

Working from his offered definition, White argued that "it is only in undertaking strategic diplomacy that a great power is a great power", for at the heart of the definition of great power is its ability to shape and determine international order. However, this does not mean that all great power diplomacy is strategic, since great powers often work within an existing international order. Even though they have less capacity to do so, other states, especially middle powers, can also undertake strategic diplomacy to shape international order – but this is not a matter of right; they have to "work for it".

White highlighted two significant ways in which great power strategic diplomacy is different now compared to during the Cold War. First, it is more inherently regional than global in the contemporary context. Over the last two hundred years, subsequent great powers have amassed sufficient power that could allow them to change global order, but today, only the United States can exert weight across the globe (and there are uncertainties about how long more it can continue to do this). The other major powers are only able to make a major impact in their immediate region. Therefore, international order today is more an amalgamation of various regional orders. Second, for much of the Cold War after the initial years, both superpowers maintained essentially defensive postures and were conservative when it came to maintaining a bipolar order. The immediate post-Cold War era, framed mainly by US unipolarity, is coming to an end. In the 'post-post-Cold War' era, US primacy is being vigorously challenged in two of the world's central regions – by Russia in Europe, and by China in Asia. There is also a more fundamental contestation of the very state system itself in the Middle East.

Having said that, White cautioned against overemphasising complexity, arguing that from the strategist's point of view, a catastrophic threat to the international order such as nuclear war will soon peel away much of this apparent complexity, leaving the international system operating on relatively "simple and clear rules".

Turning to the challenges for great power strategic diplomacy in the Asia-Pacific, White highlighted how the strategic contest between the US and China is over the nature of international order, not how states ought to work within the existing one. While the US goal is to maintaining primacy, China wants to gain primacy in the region – and both sides expect the other to back off. What would be the nature of their strategic diplomacy be going forward? Would these two great powers escalate their strategic conflict, or negotiate? Negotiation would entail diplomacy in order to reconcile their very different objectives – a very difficult task, which will end up with neither side obtaining primacy, in the course of which case the domestic imperatives of both countries may well become more paramount. Strategic diplomacy as defined by White will be contingent upon a mutual recognition between the US and China of the willingness to negotiate international order. Subsequently, strategic diplomacy in practice will necessarily be mainly bilateral; it may be informal; it can be implicit but must be mutually acknowledged; and other key major powers must eventually be drawn in.

Finally, White addressed the flip side of great power management: how non-great powers, especially middle powers, might help to shape negotiations between great powers. He gave examples of how middle powers during the Cold War engaged in significant strategic diplomacy, such as Pakistan acting as intermediary in the lead-up to the historic US-China dialogues in 1971. In the contemporary context, President Obama chose to give his speech on the US pivot to the Asia-Pacific in Australia, and Prime Minister Abe also gave an important speech on Japanese foreign policy in Canberra. Yet, White reminded participants that the historic 1972 rapprochement between China and the US occurred

at a time when both sides were working from a perceived position of weakness. This is not the case today. US allies also had no input into the Nixon administration's decision to seek rapprochement with China. Indeed, it seemed that Beijing was more cognizant of keeping its allies informed and assuring them that their interests were not being compromised. White suggested that a key strategic diplomacy task for US allies today is to help convince China that the US rebalance is 'real'.

In the discussion that followed, participants questioned White's downplaying of complexity for great power strategic diplomacy. One participant commented that ideas about complex systems apply well to other international realms, such as the financial and environmental systems. An automobile is complicated, not complex. Having said that, the challenge is to understand different types of complex systems and apply this knowledge to managing them. The human brain might serve as a good metaphor when it comes to understanding the complexity of the international system. Whether these metaphors could help explain the role of great power management within the international system remains to be analysed.

Participants also debated the distinction between 'order' and 'system'. International order is a more organic concept that suggests it is based upon a web of mutually understood norms that nevertheless have built in flexibility. As used by the project convenors, the concept of the international system is not the same as how it is defined within the neo-realist International Relations literature; the emphasis on complex systems contains different premises. This element needs to be elaborated and clarified as the project is developed.

There was further discussion about the potential use of strategic diplomacy in the evolving East Asian order, particularly pertaining to the US-China-Japan triangle. Participants all agreed that the twin strategic challenges are the US-China relationship, and China's challenge to US primacy. However, they disagreed on the normative undertones of White's argument. One participant pointed out that there is no regional consensus about whether the US or China might back down from their strategic confrontation, and White's version of strategic diplomatic priorities seems to privilege the creation of US hegemony as the goal. Even to achieve this, one needs to take into account the different way in which China engages in strategic diplomacy, with its greater emphasis on strategic economic relationships and investment. At the same time, Japan's strategic diplomacy is focused on alliance and multilateral channels, but significantly lacks a bilateral dimension with China. Participants agreed that there are two potentially mutually incompatible key challenges for strategic diplomacy: China and some other regional constituencies want to persuade the US to share power; while the US wants to persuade its allies and partners to take on a greater share of the burden to limit potential Chinese projection and aggression.

A further point of discussion was the degree to which White had stressed positioning for power and geo-security factors in his presentation. Other participants commented on the need also to take into account geopolitical, geo-economic and geo-social issues. Strategic diplomacy also entails coming up with cohesive strategies centred on multilateral institutions. For instance, China is maintaining links with the Bretton Woods institutions while building alternatives such as the Asian Infrastructure Investment Bank. Thus, the strategic diplomacy research agenda needs to pay more attention at least to the economic and multilateral realms, where the focus is more on crisis management rather than crisis creation. In these realms also the potential for positive sum games is greater. Although questions of power and status still dominate at the diplomatic table, the relative rise in importance of geo-economic issues has posed strategic challenges to other countries in the region such as Australia. There has been a tendency to separate out the economic and security realms, with the latter being associated with maintaining the US alliance and US primacy as a core Australian strategic interest, and the former being associated with a growing debate about the potential security implications of Australia's economic dependence on China.

ECONOMIC SECURITY

Lead discussant: Prof. Andrew Walter, University of Melbourne

In the third session, workshop participants turned their attention to strategic diplomacy in the contemporary political-economic realm, and examined competing strategic uses of economic instruments, actors, and arenas. Andrew Walter, professor of international relations at the Melbourne School of Government and an expert in the political economy of the international financial system, led the discussion with a presentation organised in five parts: (a) comparing international economic strategies and foreign policy strategies; (b) the key characteristics of economic strategy in the current globalised world; (c) strategic uses of economic instruments; (d) key actors involved in strategic economic policy; and (e) the main arenas of strategic contest and negotiation in today's international political economy.

Walter began with the general observation that the relationship between economics and security is a troubled one. Within International Relations, there has been a tendency to regard the economic realm as merely an analogy – Kenneth Waltz most notably derived neo-realist theory from micro-economic theory. But there are good grounds to regard the economic realm as an integral element of the international system and thus as a crucial aspect of international relations. In this regard, the focus on complex systems in this project is appropriate, as the international economic system is filled with uncertainties and potential instability and in need of constant management.

Turning to the first question of whether international economic strategies and foreign policy strategies are similar, Walter suggested that they are not. Referring to the discussion in the previous session, he observed a strengthening tendency to pursue economic and foreign policy through “separate tracks” in the Asia-Pacific. Many countries in the region experience tension between their economic and security strategies, but this has fuelled a hope that they will not have to make a fundamental choice between the US and China. Walter questioned the sustainability of this “strategic non-choice” and predicted that it will become increasingly difficult to maintain the two separate tracks.

Walter added that one key difference in international economic strategy when compared to strategic foreign policy is the significance of domestic politics. After all, a nation's economic security is fundamentally about fulfilling domestic goals such as national autonomy, social cohesion, and maximising the life chances of the citizenry. Meeting these goals is contingent upon state capacity, wealth and domestic institutions. Sub-state actors are crucial to the formulation of economic strategies – for instance, corporate coalitions and unions played a major role in shaping or constraining US negotiations over the North American Free Trade Agreement (NAFTA) and successive rounds of GATT trade talks. Domestic politics may also play a significant role in blocking the implementation of certain economic strategies – for example, Congressional wariness about China has constrained the Obama administration's response to the AIIB.

On what economic strategy looks like in today's globalised world, Walter observed that economic strategy as such is “hard to find on the ground”. China sometimes appears to be more capable of making economic strategy, but the lack of transparency in its policy-making may mask the incoherence or contestation within the policy process (as opposed to the US, whose relatively transparent political process makes obvious its inherent “messiness”). In general, during its economic reform period since the late 1980s, China has used international institutions as learning devices, to leverage domestic reform, and to reassure others of its status quo intentions. China has demonstrated strategic thinking by first proposing reasonable reforms to the governance of existing international financial institutions (IFIs), but these have been blocked by other states unwilling to act strategically to accommodate rising powers like China. Subsequently, China has initiated alternative institutions like the AIIB and the Chiang Mai Initiative (CMI), which seem to be attractive to other Asian and developing states.

For Walter, US economic strategy – or the lack of it – presents a contrast. A far-sighted US administration might ensure that IFIs are adaptable in order to ensure their longevity in the face of changing global economics. One priority would be to accommodate China within these key institutions by allowing it more voice and votes. The US should also reinvigorate the World Trade Organization (WTO) to help enmesh China in the multilateral trading order, rather than creating alternatives to it. Yet, the US has been unable to make and implement economic strategy effectively or consistently. US efforts at economic policy-making have also become much more compartmentalized. The Trans-Pacific Partnership (TPP) and the Transatlantic Trade and Investment Partnership (TTIP) that are being currently negotiated are free trade agreements that are exclusive arrangements. US efforts, thus, appear fortuitous rather than guided by grand design. They are also often as much about domestic politics and foreign economic policy per se.

Walter then discussed the key strategic uses of economic instruments, identifying four. The most obvious strategic economic tool is sanctions, though he highlighted the difficulties of using this tool effectively. The second tool Walter identified is capital liquidity provision, such as through IMF or other forms of crisis lending – this was regularly used as a

strategic instrument during the Cold War and more recently against Russia after the Ukraine crisis. The third category is development – and especially infrastructure – financing, a strategic economic tool particularly favoured by China. However, Walter noted that Chinese state-owned enterprises tend to be incoherent and inconsistent in using this tool. More generally, it would seem that governments are reactive rather than proactive in employing development financing as a foreign policy tool, and domestic interests often derail strategy. Finally, great powers may make strategic use of economic interdependence, leveraging upon their structural power. Walter pointed to a range of understandings of this type of leverage, from Robert Gilpin's notion of the hegemonic state acting as a lender of last resort to stabilise the international economy during crises, to the more critical view held by dependencia theorists of how developed states deliberately exercise structural power to ensure that developing countries remain within the exploited ranks of primary producers. Walter observed that such exercises of structural economic power are prone to unintended consequences, such as the decline in perceived US leadership after the global financial crisis of 2008-9.

In thinking about the actors involved in strategic economic policy-making, Walter reminded participants of the long-standing debates within IPE about states versus markets – Susan Strange's path-breaking work in the 1970s argued in favour of firms being the primary actors in the international economic realm, a view backed by economists like Paul Krugman, who asserted in the 1990s that economic competition was carried out by global firms, not states. Indeed, liberals have argued that economic liberalization would create shared interest among states, leading to pacification and cooperation. Walter observed that states compete too in the international economic realm – consider the rival Trans-Pacific Partnership and Regional Comprehensive Economic Partnership initiatives in the region, for instance – and while multinational firms are indeed often quite strategic in their approach, they can also be relatively ineffective. Walter suggested that it may be useful to ask how large multinational firms and non-governmental organisations deal with rising powers compared to states and government departments. For example, a comparative study of the economic strategies of global firms as compared to key states in response to China's rise could yield useful insights.

Addressing the final question of contestation and negotiation in today's international political economy, Walter highlighted the significant arenas of negotiation within and surrounding IFIs, including the Basel Committee on Banking Supervision, the Financial Stability Board and the G20. He stressed the high level of collaboration and collective learning taking place in these channels. Emerging major economies like Russia and China are deeply engaged in these arenas because they clearly perceived key interests to be at stake in achieving stability in the global financial system; and there is relative success in establishing means to deal with the international shadow banking system, for example. Contestation tends to occur most prominently in economic realms that are poorly institutionalised and where multilateral gaps exist – most notably development finance, cross-border agreements, and sovereign wealth fund investments. Walter also noted how the ongoing renegotiations over the terms of the Bretton Woods IFIs have largely failed, because of the reluctance of western powers to give up bigger portions of their existing privileges to emerging economies. This has led China to seek alternative international economic governance structures, such as the AIIB and the Silk Road funds. While it remains to be seen whether these might form potential 'exit' options for China, they do send the message that the Bretton Woods institutions are "not up to the job".

During the discussion, participants picked up on Walter's final observation to ask how much of what China is doing vis-à-vis alternative IFIs is in fact 'strategic'. One participant pointed out China's efforts in supporting the Basel process was as much about creating leverage for Beijing to push through crucial domestic financial system as it was about improving its international standing. In contrast, for Washington, it would seem that IFIs tend to be used to constrain other states.

Another participant asked whether the economic and security realms remained bifurcated even at the height of the Cold War, in the sense that economic practices were not strategic in economic terms – that is, they did not yield significant economic profit. If strategy is about achieving identified ends, then the key challenge may be how to integrate both security and economic aims – for example, during the Cold War, the US-led 'free world' managed to do this more successfully than the Soviet-led communist sphere. But economic diplomacy in general also includes goals beyond sheer profit; this is especially true in the development arena, which poverty and environmental goals can be paramount, as seen in the UN Millennium Development Goals and the changing conditionalities of World Bank financing and aid regimes.

Participants also discussed the significant difference between trade and finance as strategic economic tools, with finance being more prominent. For instance, before World War I, financial instruments were already significant as the leading edge of geo-politics, while trade was not, because of the many vested domestic interests, which prevented its

effective mobilisation. For instance, in 1906, it was private financing through a bond issue in the Paris stock exchange that financed the loan to Russia, which facilitated its railway building to the western front. In the contemporary East Asian context, finance is also vital because it enhances or impedes the ability of a state to mobilise resources towards strategic goals: for instance, to what extent can a state like China or Japan mobilise private financing through large banks, or government financing through public finance or sovereign wealth funds, and channel them towards strategic projects that can help achieve national goals?

Participants also highlighted how we cannot assume coordination across economic policy and foreign policy in many cases, a problem that impedes prospects for conducting strategic diplomacy in the economic realm. Australia is one of the few countries that combine foreign policy and trade within one ministry, but in most cases, economic interests are dealt with separately, and whenever considered alongside security issues, would tend to take second-place. Participants observed that Japan might well be an anomaly in how its ministry of trade and industry is more influential than the foreign ministry. In taking this theme further in the project, the convenors might find it useful to identify cases of both countries and multinational firms where the two realms are not separate and the two types of instruments are used together. For instance, China, Singapore, and the Gulf states would make good country cases, and firms like Shell, BHP and Rio Tinto corporate cases. A comparative study could shed light on whether and how economic and security strategies are reconcilable, and whether strategic diplomacy can help in the process.

INTERVENTION AND PEACE-BUILDING

Lead discussant: Major General (ret'd) Michael G. Smith, APCD

In the final session, the focus turned to strategic diplomacy in the areas of peace-building and intervention. Michael Smith, APCD Visiting Fellow and until recently the Director of the Security Sector Advisory and Coordination Division of the United Nations Support Mission in Libya, led the discussion with a presentation that examined six possible practical strategic diplomacy initiatives that could be adopted by the Australian Government.

At the outset, Smith clarified that he would not examine traditional interventions – defined by Oppenheim as the "forcible or dictatorial interference by a state, a coalition of states, or an international organization comprised of member states (such as the UN, AU or EU), in the affairs of another state calculated to impose certain conduct or consequences on that other State." His presentation would rather focus on 'peace-building interventions,' which are intended to support national governments and their civil societies to help them become resilient, peaceful and economically sustainable.

Considering some key diplomatic initiatives that the Australian government can take with regards to 'peace-building' and its twin of 'conflict prevention,' Smith departed from the assumption that peace-building interventions will continue to be an important and central component of global strategic diplomacy in the 21st century. In support of this assumption, he referred to Francis Fukuyama's (2004: 92) contention that "weak and failing states have arguably become the single most important problem for international order." According to Smith, this was not to downplay or dismiss the need for continuing diplomacy in order to avoid the prospects of war between major powers – particularly between the US and China, China and Japan, and Russia and the NATO Alliance. But if the system of states continues to be valued, then overcoming the fragility and avoiding the failure of states warrants attention, and this is where peace-building becomes so important.

Australia would continue to participate globally in peace-building. At the same time, it would continue to be the leading nation in the Pacific region to its north, where state fragility was of major concern – as witnessed by the instability within neighbours in the Solomon Islands, Papua New Guinea and Timor-Leste. Moreover, Australia and the international community should learn from past successes and failures in peace-building and subsequently be able to contribute more effectively. However, each situation had been and would continue to be different; so measures to prevent conflict and to rebuild after conflict should not be templated from one situation to another.

Michael Smith then suggested six key strategic diplomacy initiatives for the Australian Government to consider, while stressing that those were his preliminary thoughts only.

First, conflict prevention and peace-building – which were two sides of the same coin – needed to be included as one of the objectives (or pillars) of Australia's national security strategy. This was currently not the case.

Second, the Australian Government would need a unified understanding and coordinated civil-military approach to peace-building. DFAT should work with the Australian Civil-Military Centre to develop guidelines in this critical area, but would also need to include relevant civil society actors (including through participation by the Australian Council for International Development and relevant universities and think tanks). One practical outcome would be to determine the role of the Australian Civilian Corps (ACC) in peace-building.

Third, as part of peace-keeping and peace-building, the Australian Government had been prominent in advancing the concept of 'Protection of Civilians' (PoC) in the United Nations and the African Union. Australia had yet to operationalize PoC as part of its civil-military approach to peacekeeping and peace-building. Australia would need to develop its own unified military, police and humanitarian set of SOPs for POC. According to Smith, urgent action was required on this, which would also enable Australia to play a leading role in international forums. Again, DFAT should take the lead in this with the Australian Civil-Military Centre, ensuring participation by the ADF and AFP, and also, actors from civil society.

Fourth, another key area of Australia's focus on conflict prevention and peace-building was in the area of security, justice and the rule of law, which would come under the paradigm of 'security sector reform (SSR).' Smith stressed that SSR was about building effective security institutions that are accountable and answerable to the people they serve. SSR was far broader than the training and equipping of security forces, which seemed to have been Australia's main focus in recent years. SSR was arguably one of the key issues in peace-building and conflict prevention because in its absence violence, corruption, crime and conflict would perpetuate fragility and poverty – and spawn extremism and terrorism. Simply put, without state security, development, governance and an effective judicial system would not be possible. The Australian Government currently lacked knowledge about the application of SSR, despite having learned a great

deal in Bougainville, the Solomon Islands and Timor-Leste. Smith highlighted the need for an improved understanding of SSR and to take a leadership role, particularly within the Asia-Pacific region, but also more globally through the United Nations. SSR was both strategic and cost effective for Australia, and far cheaper than deploying military and police contingents. One way that Australia could pay more attention to SSR was by appointing an SSR Ambassador or Special Adviser.

Fifth, effective peace-building would require the Australian Government to broaden its diplomatic agenda. A transition would be required from the traditional Westphalia focus on dealing with governments to achieve a 'negative peace' (i.e. to avoid direct violence and maintain the status quo), to that which Johan Galtung has described as a 'positive peace', i.e. overcoming direct, structural and cultural violence through engagement with all national actors and by better understanding and engaging with local culture and customs. Smith posed two questions relevant to positive peace: what type of peace do people living in violent conflict want; and for whom, and by whom, is this peace being built? Peace-building initiatives that fail to address these questions were unlikely to succeed in the long-term. A diplomatic approach to embrace a positive peace would require the Australian Government to formally adopt 'human security' as a core objective of its diplomacy, just like the UN, the AU, and a growing number of countries have done. Human security had been resisted and rejected by the Australian bureaucracy for too long. The quest for a positive peace through peace-building initiatives would also require Australia to develop diplomatic expertise in the management of natural resources, particularly given the linkage between the ownership of natural resources and conflict.

Sixth, in effective peace-building the necessity for 'security' should always trump the eagerness to hold elections. As Paul Collier and Paddy Ashdown had separately concluded from their very different experiences, elections should be the last rather than the first step in peace-building. The reason was simple: a newly elected government that is unable to assure security and the rule of law, practice good governance and implement a national development plan would almost certainly fail, which was one of the reasons why newly formed countries revert to conflict within five years. The Australian Government needed to adopt this diplomatic approach, rather than calling for early elections. Compared with other peace-building requirements, elections are procedural and relatively easy to organise and implement.

Smith concluded that the achievement of these suggested strategic diplomacy initiatives would benefit enormously from the active engagement of experts in universities, think tanks and NGOs. This was where the real knowledge and practical experience resided, and it needed to be harnessed through project partnerships with relevant Government departments and agencies.

During the discussion, participants largely agreed with Smith's policy suggestions. Peace-building intervention required both a broadening of the national diplomatic agendas and greater engagement with non-state actors. Diplomats needed to be strategically deft and to be skilled in operating such an environment, especially when dealing with non-state actors. Intercultural competences were another matter of concern: diplomats and peacekeepers would be working with people on the ground, and they would need to have the skills to engage with these people in their local contexts.

Thus, strategic diplomacy would ideally be able to connect the different levels and angles of peace-building intervention; the micro-level being concerned with the country emerging from conflict and the macro-level being concerned with regional and global stability. Strategic diplomacy would thus pursue a systems approach and create the frame-work conditions conducive for positive peace.

THE STRATEGIC DIPLOMACY PROJECT GOING FORWARD

A/Prof. Jochen Prantl and Prof. Evelyn Goh

The findings of this workshop suggest that there is a strong case for further conceptualization and application of strategic diplomacy to a wide range of urgent collective action problems. For example, in order to allow for wider inferences, the same set of collective action problems needs to be studied across countries and regions.

In going forward with the strategic diplomacy project, a three-pronged approach seems to be in order:

A) Research

1) Conceptualization: Drafting a framework paper that further outlines the concept of and research programme for the study of strategic diplomacy.

2) Case library: Developing critical case studies from key countries in the Asia-Pacific, Africa, Europe, and Latin America to revisit and map each region's core issues and, by using the analytical lens of strategic diplomacy, derive different policy implications and recommendations.

In 2016, the project convenors will hold regional workshops on Strategic Diplomacy in Northeast Asia and Southeast Asia respectively. These workshops will be undertaken in close collaboration with regional partners such as the East Asia Foundation, the Korean National Diplomatic Academy, the Lee Kuan Yew School of Public Policy, and the Diplomatic Academy of Singapore.

B) Teaching

Strategic diplomacy is being offered as a new ANU Masters course for Strategic Studies and Diplomacy, beginning in October 2015, in order to expose the next generation of scholars to cutting-edge research and to generate ongoing feedback for the project convenors.

C) Executive Training

Strategic diplomacy will also be offered as an executive training programme for policymakers in Australia and elsewhere that will allow for ongoing engagement with practitioners from a wide range of policy backgrounds.

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Evelyn moved to the ANU in August 2013, and has held previous faculty positions at Royal Holloway University of London (2008-13); the University of Oxford (2006-8); and the Rajaratnam School of International Studies in Singapore (2002-5). She has held visiting fellowships at the Woodrow Wilson International Center for Scholars, and East-West Center, both in Washington DC. Major project grants include a UK Economic & Social Research Council Mid-Career Fellowship; an East Asia Institute Fellowship; and research grants from the British Academy, MacArthur Foundation, Sasakawa Peace Foundation, and Chiang Ching-kuo Foundation.

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ASIA PACIFIC COLLEGE OF DIPLOMACY (APCD) RESEARCH

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3. Global Peacemaking and Peacekeeping
4. Strategic Diplomacy
5. Science Diplomacy

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