

2023-24 Pre-Budget Submission

OVERVIEW

As power shifts in the Indo-Pacific, Australia's relative economic, diplomatic and military weight will likely recede – just as the region becomes the centre of geopolitical competition. Australia will remain a significant and influential power, but this power will wane in relative terms as others advance. This will place hard limits on Australia's capacity for influence and to manage conventional security problems, unconventional threats like disinformation and grey zone tactics, and challenges to democratic and environmental resilience.

Simultaneously, Australia faces extraordinary resource constraints due to the economic effects of the COVID-19 pandemic, budget deficits and ongoing global pressures. A predicted slowdown in economic growth due to high inflation, the ongoing ramifications of Russia's invasion of Ukraine and the lingering effects of the pandemic together present strong headwinds.

Problems can no longer be dealt with through institutional silos, especially given the dissolving boundaries between domestic and international policy. The cumulative effect of these pressures and constraints will demand a more efficient and better coordinated approach to statecraft. Australia will need to do more with relatively fewer resources by realising the multiplying effects of combining tools of statecraft effectively.

There is a growing consensus among Australian policymakers, senior bureaucrats and the foreign policy community more broadly that Australia must **coordinate all of the tools of statecraft** at its disposal to maintain its ability to influence in a more complex and contested world. The need for an integrated approach has been articulated at the highest levels of government:

*“Maximising our influence means we need to use all the tools we have. Military capability matters... But we need more than that. **We need to deploy all aspects of state power – strategic, diplomatic, social, economic...** Foreign policy must work with other elements of state power to succeed – in this the whole is greater than the sum of the parts.”*

Minister for Foreign Affairs Senator Penny Wong ([speech to the ANU National Security College](#), November 2021).

*“The idea that Australia has to choose between diplomacy and defence – or, as some critics would have it, between cooperation and confrontation – is a furphy, and a dangerous one at that... **We must marshal and integrate all arms of national power** to achieve Australia's strategic objectives. Australia has done this in rare periods of crisis. But in the future we will need to do so systematically.”*

Deputy Prime Minister and Minister for Defence Richard Marles MP ([speech to the Sydney Institute](#), November 2022).

In order for this vision to be realised, the rhetoric must be backed up with action. Using all the tools of statecraft means that each arm of Australia's international policy is:

- **respected** for the unique capability it brings;
- **resourced** so it has the necessary capacity to deliver that capability; and
- **coordinated** with other vectors of international engagement toward common objectives.

While each of these require an element of 'working smarter', bringing the Government's vision of integrated statecraft to fruition necessitates additional resourcing. This submission focuses on three areas where the 2023-24 Federal Budget should make investments.

RECOMMENDATIONS

1. Resource diplomacy and development as key arms of statecraft

Tools of statecraft should be used and resourced in a manner commensurate to the needs of Australia's international policy. It is important that the Government interrogates the relative value and importance it attributes to different tools – in particular, that it does not always regard defence and security capabilities as its tools of first resort in most situations.

Australia should prioritise boosting its diplomatic and development resources, which are both at historic or near-historic lows. A study of Australia's diplomacy, development and trade spending showed that it had reduced from 8.9% of the federal budget in 1949 to 1.3% in 2019.¹ The study proposed that the Department of Foreign Affairs and Trade (DFAT) budget should be increased to at least 1.5 per cent of the federal budget and DFAT should be granted an exemption from the efficiency dividend until its budget rises to a more normal historical level.

Specific measures for the Government to consider include:

- Utilise decision-making frameworks that challenge predetermined mindsets during policy development and budget processes to ensure all relevant tools of statecraft are considered. These could be used in National Security Committee (NSC), Expenditure Review Committee (ERC) and Secretaries Committee on National Security (SCNS) discussions, for instance.
- Tracking expenditure to support Australia's international policy through an international policy budget statement that summarises spending across international and domestic agencies.²

¹ Melissa Conley Tyler, "How to rebuild Australia's diplomatic capacity", *Australian Foreign Affairs*, Issue 7, October 2019: <https://www.australianforeignaffairs.com/articles/the-fix/2019/11/the-fix/melissa-conley-tyler>

² Similar to the Women's Budget Statement that accounts for spending on gender equality across government: Commonwealth of Australia, 'Women's Budget Statement', Budget 2022-23, October 2022, https://budget.gov.au/2022-23-october/content/womens-statement/download/womens_budget_statement_2022-23.pdf

2. Improve existing coordination and explore new ways in which to enhance whole-of-government international policymaking

This should focus on four areas: strategy, structure, staff and broader society.

- A coherent **strategy and narrative** for Australia's international policy outlining Australia's worldview and global challenges and setting out high-level objectives and priorities. This would signal intent to domestic and international audiences, while having an organising effect on the machinery of international policy.
- **Effective structures and coordination mechanisms** including through Cabinet, a clear organising structure for international policy and more collaborative approaches to coordinated planning, policy and implementation.
- **Staff** with a diversity of professional experience and structured engagement and learning opportunities to work in international policy across government.
- Government engaging consistently and broadly **across society** to achieve whole-of-nation buy-in on international policy, including connecting international policy agencies with other federal, state and territory agencies and non-government actors.

3. Provide funding specifically for international policy coordination

To achieve this vision, resourcing is needed specifically to support coordination activities. International policy needs to be supported by structures and resourcing that enable long-term planning, strategy development and organisation of how the tools of statecraft are deployed.

Providing departments with funding which is tied to coordination activities provides a direct incentive to move towards greater coherence in Australia's statecraft.

The Asia-Pacific Development, Diplomacy & Defence Dialogue (AP4D) creates a new dimension in Australia's international policymaking by bringing together the development, diplomacy and defence communities to achieve new insights, develop new ideas and promote strategic collaboration around shared interests. It is a platform for ideas that encourage more integrated statecraft to maximise Australia's ability to influence regional and global developments.