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Q&A-AUKUS pact a "watershed moment" for Australia defence, security, foreign policy; No country looking for war: Guy Boekenstein, Asia Society Australia



The new Indo-Pacific security alliance between Australia, the United States and Britain -- the AUKUS pact -- is a "watershed moment for Australia" in terms of defence, security, and foreign policy, **Guy Boekenstein, senior director for national security and defence to the Northern Territory state government of Australia**, told the Reuters Global Markets Forum on Tuesday, September 21.

"I think this is probably the biggest strategic shift we're seeing in Australian politics since World War II," said Boekenstein, who is also the Northern Australia Fellow at Asia Society Australia.

Boekenstein did not expect any "serious immediate military retaliation" from China as neither the Western countries nor leadership in Beijing was "looking for a war immediately."

He believed Australia will make concerted diplomatic efforts over the next few weeks and months to appease its neighbours and other partners in the region on what the pact means and the path forward.

Following are edited excerpts from the conversation:

Q: What are your thoughts on the AUKUS pact? Will China see it as a direct threat, despite not being named specifically?

A: Certainly, it's all about China. This is really all three countries drawing a line in the sand to make a significant policy shift and strategic and defensive posture shift to counter what China is doing. Obviously, as with normal diplomatic language, they didn't specifically mention China. And that's not unexpected. But if you read it between the lines, it's obvious that they're talking about instability in the region and rapid military modernisation. And there's only really one nation that's doing that in the region -- and that's China. I think it's implicit in the statements. But having said that, in 2020, Australian defence policy pointed at China for the first time and was specifically called out. So, I don't think anybody is under any illusion about what is driving this.

Q: Does this agreement define Australia's future global strategy once and for all?

A: It's absolutely a watershed moment in Australia in defence, security, and foreign policy. I think it reflects the (Prime Minister Scott) Morrison government's position with many regional partners like the U.S., Japan, UK and others. It's got to the point where something needs to be done to try and counter what the Chinese Communist Party is doing -- and very important that this is not China but the Chinese Communist Party, because it's not the people themselves. I think this is probably the biggest strategic shift we're seeing in Australian politics since World War II. Does it define our position going forward? Well, who knows, because last week, or two weeks ago, we never saw this coming. So, things are changing incredibly rapidly.

Q: What retaliation, if any, do you expect from China?

A: I think everybody knows Western and Beijing leadership -- nobody's looking for a war immediately. So, I don't think there will be any kind of serious immediate military retaliation. Whether that it may speed up Beijing's interest in bringing Taiwan back into the fold -- that may or may not happen. But again, that will not happen tomorrow. I think what's going to be very interesting and probably the normal route that will happen is that China will potentially impose more tight additional trade tariffs or economic constraints on Australia. The Australian economy has been, for the last 20 odd years, very dependent on the Chinese economic growth. (For example) I see the stories around Evergrande -- what that means is not that there'll be a move in the property market in Australia, however, a lot of the iron ore comes out of Australia that they use to build the buildings. So, I wouldn't be surprised if trade or additional economic sanctions are put in place now. In my view, in the long run, in the next six, 12, 18 months this will calm down, and we'll see normal diplomatic measures continue. However, you never know how things are going in the region, defence-wise.

Q: Many Asia-Pacific countries have welcomed the pact -- what impact do you see on geopolitics and global security?

A: Over the next coming weeks and months, Australia will make a lot more concerted diplomatic efforts to inform our neighbours and partners in the region about what this actually means. I can completely understand why the Australian, UK and U.S. governments need to do this deal in secrecy -- that makes complete sense. I can understand why there may be some concerns in our immediate region about what this means particularly for nuclear proliferation, etc.

This is about two things: nuclear-powered submarines in Australia; I don't think Australia is going to get nuclear armaments anytime soon -- there's a whole other raft of capabilities like long-range missiles, strategic strike missiles, etc. -- that's a significant step-up in Australia's defence capability. However, I think most of the countries in our immediate region will be pragmatic and will understand. They'll get why we're doing this. Countries, like particularly Indonesia, of course, they don't like to take sides or be put in a position of backing one country over the other. So, this will no doubt cause a bit of concern in Jakarta for a while, as will it do in other capitals. But again, in six months' time, we'll be looking back on this and not be worried about those aspects. Whether we're still worried about the reaction from China is a different thing.

Q: Do you see India joining the effort in some way, or playing a more strategic role, given its already part of the Quad pact?

A: Yes, I do. There are all sorts of issues around technology transfers and classified information sharing centres (that) I'm sure are being worked through. But I think that the very fact that India is now well and truly inside that tent through the Quad and other kind of bilateral relationships, I think that we can certainly see the opportunity for increased Indian cooperation and participation in these initiatives as they go forward. The Indian Navy is a force to be reckoned with, so a lot of lessons that we could learn. But also, there's a whole range of things -- space, digital, cyber. We should, and I hope that we do see an increased level of Indian engagement.

Q: Do you expect China to sell SSN/SSBN -- U.S. Navy classification for nuclear-powered general-purpose attack submarine -- to Pakistan now?

A: Being the optimist and the pragmatist, hopefully not. I don't think they will. I think that there's a rational argument to be made that the Beijing leadership understands why that's a bad idea. My optimistic view is no. Unless things continue, potentially to ramp up more significantly, I just don't think that they'll go to that next step.

Q: What about China's interest in Afghanistan? Does that have a role to play in this?

A: Afghanistan has been a 20-year long distraction for Australia particularly, because we have lost access and influence in our immediate neighbourhood, that we should have maintained, that we had previously. So, having said that, the vacuum that's been created in Afghanistan is something that if I was a Chinese strategic planner, I'd be looking to explore how I could now leverage -- I'm sure people are. How that will actually play out -- I don't know. It just makes sense that the void's now there again, as it has been over centuries of history. You would think that if you were the Chinese and Russian strategic planners, it would be something you'd be looking at.

Q: What does it mean for the European Union, as a huge economic partner for China, remaining outside the AUKUS pact?

A: It'll be very interesting to see how that plays out. Australia's in the process at the moment of negotiating a free trade agreement with the EU, and there's already quite a bit of local media commentary here about whether this decision will scuttle that agreement. Personally, I don't think it will. I think that there will be a bit of noise and a bit of the usual diplomatic representations made. But, at the end of the day, this was a contract, and there was a gate in the contract, and the Australian government decided not to go through that gate (the deal was first priced at \$40 billion and more recently at \$60 billion - <https://reut.rs/3EO8WBk>).

So, the French are understandably upset and disappointed. But what will be interesting to see how the French leverage this position and their displeasure within the EU, and how they try to really make the point across. Interestingly, though, the French, the Germans, quite a lot of European countries -- they also have a renewed interest in the security and stability of the Indo-Pacific region. So, are the French going to actually walk away from this region? No, of course not. They've got Southern territories here; they've got a strategic interest. How much will be the EU kickback? I don't know. But I don't think that makes sense to really make a big issue out of this, which is essentially a contract's been decided not to continue with.

Q: Were you surprised on how strong the reaction was from France? Do you see the EU playing a role of a mediator?

A: I think so. I don't think anybody was surprised that the French were going to react in a negative manner. However, I think that the actions that they've taken, not only in Australia, but interestingly withdrawing their ambassador from the U.S. -- they've taken this obviously very seriously, and I can completely understand why, and the reasons that they're doing it. Having said that, I am a bit

surprised at their level of action because to anybody who has been following the Australian submarine programme, this shouldn't be a shock to anybody to learn that the programme with the French, initially DCNS (Direction des Constructions Navales), and then Naval Group has been completely plagued with problems from day one. So, that's two defence watches, and particularly submariners, people have known that this whole programme's had problems from start.

Absolutely, I think that's a great role for EU to play, and that would be, in my view, an incredibly sensible and smart role for them -- to bring everybody together and help move on beyond this diplomatic spat. And let's just keep going forward, because at the end of the day, we're talking about big global geo-strategic issues here. And the EU are a massive player.

Q: Is the potential shift in jobs out of Australia a cause of worry? How does it place Morrison for next year's elections?

A: It is certainly worrying a lot of companies. We've already had indications of this from the Australian Government. I think the amount of Australian taxpayers' money that's been invested into building up capabilities for shipbuilding and submarine capabilities in South Australia and Western Australia -- they can't walk away from that. So, the Australian government is going to need to be committed to eventually building some of these submarines in Australia, which is important for Southern capabilities perspective, but also from a jobs' perspective. In South Australia back in 2011-2012, the local car manufacturing industry collapsed. The submarine and shipbuilding industry was seen as a replacement for that. So, from a political perspective it is absolutely imperative and I've no doubt that the Australian Government will come up with some way to ensure that is maintained. What I think, though, is what we'll see in the interim is a leasing arrangement between the U.S. and/or the UK for nuclear subs. That then helps to train up crews. It helps the industry to get an understanding of what are the requirements, etc., because this is all brand new for Australia. So, I think we'll see a step process here. I think there'll be an initial leasing of submarines, and then at the same time or after that, the domestic build will start. Another thing from a jobs' perspective is (given) how things are changing so quickly, it's not unforeseeable that the Australian government might decide to buy another dozen new ships, and they potentially could be built (domestically). It's a big issue. It's not an issue for my state (Northern Territory), but it's certainly an issue for South Australia, Western Australia and a few other states.

For next year -- who knows? I think it's the Liberal Party and particularly, Prime Minister Morrison - that applies to the National Security card quite strongly. Like that's certainly his forte. I think genuinely this is actually a very important decision and a very good decision for Australia. Whether the mainstream population agree with that, I don't know. I think that there are more domestic issues at the moment, and this won't be a tipping point for him. But I don't think it's harmed his domestic popularity.

Q: From an economic standpoint, how do you think this may affect Australia, the pact itself and potentially angering China?

A: From the point of ending the deal with the French company Naval, economically, to be honest, it probably puts Australia in a better position in the long-term. There's already been significant Australian money invested into the project, there's got to be some kind of compensation pay-out -- that's inevitable. But in the long term, the project was costing us a ridiculous amount of money. The French deal is going to not really be negative, depending on what the final deal with the nuclear submarines looks like. That's going to probably end up costing more than the original, conventional submarine programme -- but we won't know that for another 18 months.

In broader economic impact, the real potential hits to the Australian economy will be with the charter and the EU, (if they) decide to impose additional trade tariffs or seek alternative suppliers for iron ore, etc., and China's already on that kind of path as it is. EU - will they do that? I don't know that.

Of course, we always talk about India as well. Who knows what's going to come out of the Quad meeting this week? I think India is still a bit of a new entity for a lot of Australians in a lot of ways. We quite often talk about Japan, U.S., UK, EU -- but we need to start getting our head around more about what does this mean for India? And what does this mean for potential investment or trade relationships with India? I don't know, but I think it's something to think about. Australian Indian literacy is pretty poor apart from cricket.

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