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Like most countries, Australia must largely deal in the world as it finds it.

The good news is that the world as it is has largely worked in Australia's favour: the broad arrangement of rules, institutions and diplomatic conventions has allowed Australia to pursue and preserve its interests. Australia neither needs, nor would it be advantaged by, radical change in the global order.

The bad news is that the existing order is under increasing, potentially terminal stress. Moreover, our region is fast becoming older, hotter, more volatile and more porous.

Australia cannot take for granted the continuity of advantageous international conditions. **If Australia could previously deal transactionally with the world as it found it, it must now deal with the world strategically with a view to shaping it, particularly in our region.**

What's needed now is a great era not of institution-building but of institution-defending. Australia has much to gain by shoring up the international institutions and principles that have long served our interests, and by being seen to do so throughout the inevitable flux of the next decade.

This has three implications for the way Australia prosecutes foreign policy. We need to unlock the gates on foreign policy, ensuring foreign policy thinking is integrated across government and embedded in Australian society. We must ingrain a new strategic mindset across Australian foreign policy, bolstered by an Office of Policy Planning within DFAT. And in an international system under strain, we must ensure Australia uses institutions more creatively to enhance our influence, defend our principles, and augment international conditions to our favour.

1. Unlock the gates of the foreign policy establishment and mainstream foreign policy development

An outdated separation between international and domestic policy cannot secure Australia's interests.

Gone are the days of foreign policy residing in the RG Casey Building, the National Security Committee and our overseas embassies. Australia needs a foreign policy embedded in our national democratic process, neither subservient to immediate political cycles nor removed from the broad array of domestic constituencies.

Australia can unlock the foreign policy gates in three ways.

First, **pull domestic policy constituents towards foreign policy.** More government departments and non-government stakeholders must be welcomed or coaxed into Australia's traditionally insular foreign policy community. There should be an expectation that all government departments consider how developments abroad will impact policy at home, and vice-versa. Policymakers should always have one eye on Asia to consider how shifts there can be engaged collaboratively and productively.

Second, **invest in DFAT's policymaking capability in Canberra.** Diplomatic postings are the indisputable markers of DFAT career progression. Material incentives and departmental culture have contributed to an underinvestment in policy development at home. DFAT needs policymakers adept at navigating Canberra's bureaucracy and who can work across government departments to deliver integrated, coherent foreign policy.

Secondments, Canberra-based career tracks and incentives to develop policymaking expertise can all boost DFAT capability. DFAT's senior leadership must work to shift departmental culture towards greater openness and collaboration with potential partners, including through continual improvement in information-sharing. Security classification must not unnecessarily obstruct wider cooperation, or become an excuse to deprioritise it.

Third, **embed DFAT in Australia's biggest cities, where transnational flows—of people, investment, goods and services, threats—are felt most directly.** To leverage the openness and innate internationalism of Australian society, DFAT should extend its policy development reach into its major cities, beginning with Sydney and Melbourne.

Like all areas of public policy today, foreign policy needs to be genuinely collaborative. Periodic outreach events and discreet consultations are not sufficient. Accurately identifying the nuances of national interests and leveraging maximum influence to achieve them increasingly requires deep collaboration with Australia's most influential international players: its private sector, from large corporations to promising start-ups; its large metropolitan local governments; its universities and training institutions; its civil society organisations; and its arts and cultural institutions.

2. Turbocharge strategic policy development by establishing an Office of Policy Planning

Australian foreign policy must move beyond transactional exchanges to chart a coherent, overarching set of programs that work in concert to achieve long-term policy objectives.

Australia has excellent diplomats, adept at prosecuting foreign policy abroad to deliver the outcomes asked of them. But if Australia has an effective diplomatic front-end, we lack the smart, policymaking back-end to drive it. Diplomatic wins are only as valuable as the strategic policy objectives they achieve. Transactional deliverables are insufficient in a world where Australia cannot take favourable relationships, rules and institutions for granted.

APSC's 2013 Capability Review found that DFAT's strengths included its talented generalists, its crisis management, its Ministerial responsiveness and its effective advocacy of existing policy. Weaknesses included institutional insularity, strains on specialisation, suspicion of prioritisation and strategic planning, and poor policy development.

These are troubling assessments that highlight key vulnerabilities. Australia's interests will not be served by a responsive Department staffed by effective but reactive advocates. DFAT must quickly become better at policy development, strategic prioritisation and talent retention. Doing so will, of course, require genuine high-level political support. But it will also require the Department to change the way it does business, primarily in Canberra. Specifically, **DFAT needs a new centre of gravity for strategic policy development.**

Australia has experimented with different forms of dedicated foreign policy planning arrangements. Its latest incarnation, DFAT's Policy Planning Branch, was re-established in 2010. But its work is issue-specific, not overarching, and it lacks the seniority, resourcing and independent mandate to deliver the policy planning clout Australian foreign policy needs.

We recommend elevating the Policy Planning Branch to a level equivalent to the US Policy Planning Office, headed by a respected, experienced thinker-practitioner and staffed by talented strategists with a carefully curated mix of geographic, thematic and institutional expertise. It should include seasoned diplomatic staff alongside expert policymakers drawn from other areas of government. The Office should also reach outside government to leverage the talented pool of Australians in academia, business, civil society and think tanks.

To be clear, this isn't about finding an Australian George Kennan for the 21st century. Instead, it's recognising the need to **establish a structure to nurture deep strategic thinking and put Australia, her Ministers and her diplomats, in a winning strategic position.**

As s/he does in the United States, the Director for Policy Planning should report directly to the Secretary. Past US Directors have usually had careers both in and out of government, often combining service in the diplomatic corps, policy development, political advisory roles, think tanks, academia and/or business; Australia's Director should have similar breadth of experience. A staff of 8-10 will be necessary to endow the Office of Policy Planning with the necessary analytical capacities and geographic and thematic reach.¹

It is essential that DFAT develop this capacity in-house. While think tanks are important features of a foreign policy ecosystem, they are no substitute for a dedicated, strategic planning capability owned and staffed by DFAT. The US example is instructive: no country boasts a think tank community as rich, diverse and populous as America's, yet the US Government sees value in maintaining what is described as the State Department's internal think tank.

3. Invest in smart institutionalism

Australian foreign policy must **embrace innovative, problem-solving diplomacy.** Australia needs strategic clout to shape the international order, not just a seat at the table to help manage it. Recent decades have seen Australia content to be primarily a technician in global forums. Tuning discreet pieces of a stable, advantageous international system has made strategic sense. Yet as the international game changes, so too must our brand of institutionalism.

¹ The current US Policy Planning Staff has 17 members, plus the Director.

Successful strategy requires tacticians, not just technicians, of multilateral diplomacy. Smarter institutionalism means showing up with a bolder vision and connecting each institutional engagement to a larger coherent strategy. It means being able seamlessly to shift gears between formal and informal diplomatic tracks, appreciating the distinctive advantages of each. And it means recognising that Australia need not choose between regional and global diplomacy. Australian diplomats can walk and chew gum, and indeed they must, for cooperating globally serves crucial regional interests, and vice versa.

Smart institutionalism should begin with an honest stocktake of Australia's Track I commitments, both bilateral and multilateral, which have been disproportionately weighted away from Asia. We do not need our own 'pivot', but **regional Track I institutions require a reinvigorated approach by Australia.** ASEAN, the ASEAN Regional Forum, the Regional Economic Comprehensive Partnership, the Asian Development Bank and the Bali Process are five institutions worthy of special attention. This will require DFAT to nurture within its diplomatic ranks dedicated regional multilateralists.

Smart institutionalism also requires more creative use of Track II diplomacy to foster trust and identify mutual interests on issues in Australia's blindspots. A preference for formal institutional arrangements means Australia has missed opportunities to work more creatively through the informal processes that often hold more promise in our region.

One example of effective second track diplomacy is the Asia Dialogue on Forced Migration, which the Centre for Policy Development founded in 2015 and convenes with three partner organisations in the region. The Bali Process has accepted two sets of recommendations from the ADFM and recognised it as an authoritative source of joined up expertise on matters related to forced migration. Similar Track II models **could be used to address other seemingly intractable issues by building trust and understanding across borders.**

Finally, smart institutionalism means **doubling-down on the rule of law.** Maintaining autonomy of action while defending a rules-based order is a difficult needle to thread. The uncertainty of global politics today puts a new premium on 'doing what we say', and on holding others to account when they do not.

Promoting and defending the international rule of law is not without its trade-offs: the rules and principles designed to check inimical self-interested behaviour by others will at times also constrain Australia. It is a necessary and smart trade-off, however, if Australia is to shape international conditions to its advantage.