THE CENTENARY OF FEDERATION
Beyond the Celebrations
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Paul Keating's 'Beyond the Celebrations' address encourages the country to be ambitious in the twenty-first century as the act of Federation helped set up Australia's ambitions for the twentieth century. The speech is a grand tour of the Keating Vision: an Australian republic, a new flag, a genuine reconciliation, further economic reform, renewed engagement with Asia and the importance of Indonesia and the Indonesian relationship to Australia.

My thanks to the University of Technology Sydney for this invitation to take part in the debate about what the Centenary of Federation means for the Australian people.

When I declined to join the great trek of present and former leaders to London earlier in the year I said I would prefer to make my contribution here in Australia, so I am glad to have this opportunity to do it.

The commemoration of the Centenary of Federation is obviously a time for us to celebrate our history, but I hope it will also be a time to celebrate our historians. Without historians, we stand on a trackless plain, unsure of where we have come from, less sure of where we might go. Helen Irving and the 1901 Centre here at UTS, together with their network of colleagues around the country, have done a wonderful job in helping to give us a better map of our national experience and I congratulate them for it.

Although we seem to have heard more commentary about the Sydney Olympics than about any other single event of my adult life, let me begin this speech by adding some reflections of my own.

The Games gave Australians a chance to look at ourselves, and we liked what we saw.

We saw in the opening and closing ceremonies many reflections of ourselves. Mexican waves and the joy of sharing the sentiments with each other; of being there together, the presentation of Australia as most of us recognise it; the horsemen; our diversity and multiculturalism; rural Australia and its centrality in our affairs; the truly special place of our indigenous people; the hope of the little white girl and the black elder, the trust in which a genuine reconciliation must be rooted; and in short, the greatest arts show we have ever staged.

The Olympics gave expression to how central the arts are and need to be. The medium that draws out the nation's soul, allowing us to know ourselves and better understand what makes us tick. Whether it be the Tin Symphony or the celebration of the land and sea or the Aboriginal heritage in dance and chant or Men at Work—those Olympic themes. Slaked of those resonances we are but a nation of individuals and not the society we have become.

If Australia has learned one lesson from the Olympics, and there are many, it might be that when our arts are vibrant, so too are we.

We went to the Olympics in celebration of sport. For the pageant: to see the world's best; to see our best; to give them our support.

We remember individual medal performances. Cathy Freeman's 400 metres, Grant Hackett's 1500. And not just the icon events, the many others. But perhaps above all else, we remember what the Olympics meant to us as a people. How the themes of those ceremonies rang a chord in us and gave us something that put into context the truly valiant ambitions of our young sportsmen and women. It made their dedication seem more to us than their winning or breaking another record.

By no means all the things we discovered about ourselves during the Olympics were new. They reflected to a large extent our national image of ourselves. But it was good to get the jolt of surprise that said 'It's not just myth but reality'.

But, despite the success of the Games, I left Homebush on the night of the closing ceremony uncertain whether I had just seen the beginning of something new or the concluding fireworks of the period of reform and ambition in Australia in the 1980s and 1990s, from which the Games had sprung.

We'll get an important clue to the answer from the Centenary of Federation. The way we commemorate and celebrate these events over the next twelve months will tell us a great deal about Australia in the first years of the twenty-first century.

I'm not arguing for academic seminars at the expense of celebrations and I'm not arguing against reflections on the past or recognition of the achievements of Australians over this century. We've come a long way over the past hundred years. We have built a strong economy, a vibrant culture and a vigorous democracy.

We are a better country by far after a century of Federation than we were in 1901. We are more tolerant, more diverse, more equitable and more outward looking. More Australians—women, immigrants, indigenous Australians—have the opportunity to participate in our national life, and do so, than was possible even 25 years ago. These are mighty achievements.

But if all we get out of the Centenary of Federation is a community wallow in the national hot tub of nostalgia, it will confirm our entry into a period of national decline. We need to go beyond the celebrations and to use the event to think about where we should be heading over the next hundred years. To use this centenary for the same purpose as the act of Federation was itself used, to imagine something bigger and

better; something which points the way, which lays out a roadmap and which lifts our hearts as we go.

If there is one important message I should like people to take tonight it is that Australia has no time to wait. The world won't do us the courtesy of allowing us a national time-out while we pat ourselves on the back and tell ourselves what a wonderful country we have made.

The challenges Australia faces are no less daunting than were those which faced the pioneers of Federation a century ago. More so, in most respects. The end of the bipolar certainties of the Cold War and the transforming changes wrought by the information revolution and economic globalisation have made Australia's external environment more competitive than we have ever known.

Unlike our ancestors we have no patron to look after us.

No imperial preferences to guarantee us markets. No Royal Navy to steam to our rescue in time of trouble. No massive population to give us unearned weight in the international system. No voice to speak up for us in the world unless we do it ourselves. Unlike New Zealand, we have no Australia to buffer us from strategic complexity.

When it comes down to it, the only things we can rely on are our own ingenuity, dexterity, cleverness, and our goodwill towards others. We need to use them for all we are worth.

We've probably overdosed on debates about globalisation recently but that's because it is so central to our understanding of the sort of world we now live in.

Globalisation is the great glacier which is slowly, powerfully but inexorably reshaping the international landscape.

And despite the tremulous cries of those who hope it will halt in its tracks or melt before it reaches us, it will not. At least not short of the calamitous prospect of global war.

I don't mean by this that governments are powerless pawns of economic forces. Any government can resist globalisation by hunkering down and closing up, finding some isolated valley in which to shelter. North Korea has tried it. The only result will be lower growth and poorer living standards.

None of this is to argue that we don't need vigorous debate about how we should deal with globalisation. Any force this big will have all sorts of dangerous and unintended consequences. Some members of the community will lose from the changes and must be helped along.

Impacts like the volatile money flows which scarified Asia have to be managed better.

But the process of globalisation won't stop pushing onwards. This is because the technologies that facilitate globalisation—that is, digital technology and cheap communications—aren't going to slow down. We've only begun to skim the surface of the social and economic changes that optical fibre technology and cheap, fast internet-enabled devices will bring.

The developing countries, especially in Asia, are not going to give up their hard-won efforts to integrate themselves into the global economy. Asia has had problems, but even the worst-affected country, Indonesia, which suffered a 15 per cent decline in its GDP in a single year, is still much better off than it was before it began opening up.

As for Australia, the global terms of trade aren't going to suddenly flow back in the direction of commodity producers. So even if we wanted to, we can never again rely on export wealth generated by our farmers and miners to pay for the preservation of tariff walls to protect our manufacturing and services sectors from competition. We're in the international game for keeps.

In the way we look at the world and the challenges of globalisation, the Australian community seems to divide into four main groups. These divisions cut across traditional political categories.

The first group—the Hansonists at the extreme end—want to isolate both the economy and the society from the outside world. Their economic agenda is to rebuild the tariff walls, their social one to keep out the foreigners and to return to a mythical golden age of Australian values.

The second group—S11 protesters at its extreme end—wants to internationalise social issues but nationalise the economy. They oppose 'globalisation' in its economic manifestation—free international trade, multinational corporations—but are perfectly comfortable supporting extra-territorial claims for human rights or environmental action.

A third group believes the reverse. Parts of the Business Council of Australia and many conservatives would find a home here. They are all in favour of internationalising the economy, giving free rein to the free market, but they are damned if they think foreigners and international bodies like the UN should have anything to say about social policies here in Australia.

A fourth group—and it's obviously the one to which I belong— believes that for a country like Australia, with a small population tucked away in a corner of the Asia Pacific, economic openness, social inclusiveness and engagement with the outside world is the only way in which we can hope to prosper. The only approach that will give us both the economic growth, the social confidence and the physical security to survive over the next century.

I begin with the proposition that nothing is more important to a country than the way it thinks about itself. In other words, the commonly shared model of what its national values and priorities are. Everything else, including economic growth, flows from that.

The act of Federation was an act of imagining by the men and women who fought for it; that the people of this country could be something larger than we were. They changed the way Australians thought about themselves.

I believe that a similar act of imagining is needed again, and it needs again to encompass a vision of enlargement. Inside Australia, we must move further along the road of becoming one country and one economy and, outside it, an integral part of the region around us.

We must become One Nation. One of the many reasons for my distaste for Pauline Hanson is her hijacking and distorting of this excellent phrase. Now that her ragtag operation is falling apart, I want to claim it back.

In July 1993, while Mrs Hanson was still living quietly in Ipswich, I made a speech in Corowa, commemorating the centenary of the conference there which revived the movement to Federation. I said:

For all our disparity, including the great gulf between rural and urban, there is in the end a collective Australian experience which should unite us. Nationally, we have shared in the triumphs—in sport, in the arts, in industry and science. But the greatest by far is the creation over the years of one of the great multicultural societies, and surely the very best place in the world to live. And we have done this substantially because our effort in the last century has generally been towards including all Australians in Australia's wealth.

This is a loose federation on a vast and varied continent whose population is immensely diverse in origin and culture. These factors can encourage division or fragmentation—they can encourage jealousy and rivalry between states, between cities, between the urban population and the people in the country. There is always that tendency, latent or real. But the great majority of Australians understand, as the founders of Federation understood, that we work much better when we work as one nation.

That was, I believe, another reason for our enjoyment of the Olympic Games. We gained enormous satisfaction from seeing ourselves as one people, no matter where we came from originally, no matter where we lived in the country, no matter what we did for a living.

You remember how enthusiastically the crowds sang 'I am, you are, we are Australian'. And they believed it. That itself was a big achievement of a century of Federation. But it also has implications for what we should do in the future.

Any vision of national enlargement has to deal with those things that were described by Mr Howard and his colleagues as 'distractions' when I was raising them. It's amazing how preoccupied he and his colleagues have been by exactly the same 'distractions'. And the reason, of course, is that they were never distractions at all. No matter what your attitude to issues like indigenous rights or national symbols, they are an essential part of the way we think about ourselves.

I could only reflect upon how much more we would have rejoiced in it all if the Olympics had been opened by our own president and our winning athletes had been draped in a flag that was ours. Without the Union Jack advertising its presence like a tattered maker's label.

The republic is the easiest of these issues to deal with in some ways. We all know it's coming and all opinion polls say that most of us want it. We need a head of state who is an unambiguous symbol of ourselves and not of anyone else.

As I've often said, this is not because of what the republic or the flag say to others, important though that is, but of what they say to us, about us.

Kim Beazley's promise of a plebiscite asking the simple question 'Should Australia become a republic?' is the way forward. We can then debate the modalities. When we do, I will be arguing as strongly as possible for the preservation of the Westminster system of a Cabinet headed by a Prime Minister and drawn from the Parliament rather than a popularly elected head of state—but that is an argument to come.

The challenge of reconciliation with indigenous Australians continues to weigh heavily on us. I'm enormously encouraged by the wide acceptance of this challenge across the political spectrum. The issue has been the subject of a long, grinding debate, with the government dragging the chain at every point, whether in the disgraceful decision to legislate away the rights of Aboriginal people given in the Wik decision or in the refusal to make the simple gesture that all state parliaments have made, and say sorry.

Indigenous problems are deep and entrenched. They have many causes. Some of them, as Noel Pearson has been saying, are for indigenous people themselves to address. That is a debate that will take place most effectively within the indigenous community. But it is just crass sloganeering to claim the recognition of wrongs done to Aborigines and Torres Strait Islanders in the past represents a 'black armband' view of history. It's simply to recognise the truth. We can't change it but we can recognise it.

Another looming constitutional problem for the nation is the long-term impact on our democracy of the provisions of section 24 of the Constitution, which provides that the House of Representatives will always be as nearly as possible twice the size of the Senate.

This nexus means that every time the House of Representatives gets new members because of natural growth in the population, the Senate will also grow in numbers. As it does so, the number of votes needed to secure a quota for representation will fall.

The result will be that the balance of power will increasingly fall to ever smaller and more unrepresentative minority and single-issue parties, parties and individuals who will be able to shape national policy powerfully while representing no more than the fringe of national thinking.

This is not a recipe for good government and it is not a good recipe for improving the standing of the political system generally.

The Senate does not operate now in the way the founders of the constitution imagined it would, that is as a body representing the states. Senators vote along party lines, not as representatives of Victoria or Queensland or Western Australia.

We either have to break the constitutional nexus between the two houses, or if that is impossible, move away from elections at large—by establishing regional electorates for Senators within the state, a change that would not require change to the constitution. The aim has to be to make the election of Senators as representative as possible; where a clear majority is needed to secure election.

Senators who secure a primary vote of something like 5 per cent or less, and who wait to be topped up in the distribution, are kidding themselves and us with it.

Constitutional reformers in Australia have often fallen victim to that most insidious and fatuous of slogans: if it ain't broke, don't fix it. That's a highly dangerous approach for Australia to take. Most things don't break. They just wear out, or cease doing what they are meant to do as well as they once did. Our national approach in the twenty-first century ought to be much more 'If it's not performing as effectively as it can, then change it'.

The states are a problem for the country in more ways than one.

If you were drawing up a blueprint for the nation from scratch, you would surely have smaller sub-national divisions operating under the federal level that better reflected natural regional divisions. But we have to work within the framework we've got. I accept the fact that the states are an unchangeable part of Australian constitutional arrangements. I don't think they are the best possible way of organising the nation, but I wouldn't waste much energy trying to change the current structure. We do need, however, to get the three levels of government working more effectively to create an efficient national economy.

We don't have it now, and Mr Howard's government has been more concerned with buttressing the role of the states than looking at the needs of the nation as a whole. In the Tory view of things the states represent a bulwark against national enlargement of a kind the Commonwealth government and the High Court can foster. The Liberals work on the law of averages. With six states they have at least an even chance on six occasions every three or four years to thwart progressive policy outcomes whenever a Labor government may be in office at the Commonwealth level. They see it as six chances for them to throw a spanner in the project of national enlargement. They would rather pay the GST money to the states and watch them blow it than they would pilot the Commonwealth to the point of natural authority and management of our island continent. Funding the states to grow their realm is an express part of modern conservative dogma.

There are only twenty million of us. Is the idea of running a national economy really such anathema? Doing things nationally?

It's a question to which we need a fast answer. On 14 May 1986, when I warned that Australia was in danger of becoming a banana republic the dollar stood at 71.24 cents to the US dollar. That was twenty cents higher than its recent levels.

It is now at an all-time low. Why does the world think we are worth less than we used to be? Why are our national economy and our personal wealth being both qualitatively and quantitatively valued down in world terms?

There is a strange complacency about the predicament of the dollar now. The general view seems to be, first, that the foolish money markets have got it all wrong and that recovery will come when they realise that the Australian economy is fundamentally strong; secondly, that it's really the strength of the US dollar rather than the weakness of the Australian dollar that we are seeing; and third, in any case, a low dollar is good for our exporters.

There is some truth in all these arguments. Money markets are certainly not always wise. The great strength of the US economy in recent years is whipping the US dollar to new highs at the expense of most other currencies. And the whole point of a floating exchange rate is to let the currency move so that the economy may adjust. We saw the danger of the other approach during the Asian economic crisis, when pegged exchange rates caused Asian countries such problems.

But the dilemma for us is that the Australian dollar has not just sunk against the US dollar. It is doing badly against almost everyone else.

With Australia growing faster than the United States throughout the 1990s, Australia, along with the United States, should have been marked up. Instead we have been marked down with a gaggle of other countries whose macroeconomic performance doesn't get near to ours.

We have had a great decade of growth. Not only have we on average grown more strongly than the US, which has been doing exceptionally well, we have also been growing in a different way. For the first time in several decades, we have been able to sustain low inflation. And for the first time in several decades, we have been able to sustain high productivity growth—higher, on average, than the US has been able to achieve over the same period. Now I don't want to be partisan about this, but this miracle performance did not start in 1996. It started at the beginning of the decade, it has continued ever since, and in my view it is undoubtedly due to the great and difficult reforms we made to the Australian economy in the 1980s and the early 1990s. By these I mean the float of the currency, deregulation of finance, tariff cuts, the use of the Accord to reduce inflation and increase employment, the switch to enterprise bargaining at the beginning of the 1990s and inflation targeting by the Reserve Bank from 1994. They were all reforms designed, as I said at the time, to open the place up, and they worked. I recall speaking to the then EPAC forum as Treasurer in early 1991, and saying then that we had designed our policies to produce a long upswing which would be characterised by low inflation and high productivity growth, and that is exactly what happened. We had low inflation from 1991, and we had the beginning of our high productivity growth in the same year, and both have continued ever since.

So we addressed two of the big problems in our economic performance. But there was one great issue which remained from the 1980s and continued to be problem for us in the 1990s, and is, I think, still a problem for us today. It is a problem that results directly from globalisation, because it is a problem which can only exist in a world of free capital flows. This is the current account deficit, which looked at from the other side is the same thing as the gap between what we invest in Australia, and what we save.

Year by year we have been investing more than we save, and as a result, year by year, we have been adding to our foreign liabilities. I think we have been investing wisely over the last decade, and we have increased our ability to handle foreign debt. But I think we can see in the very cheap Australian dollar some of the consequences of this growing weight of foreign liabilities.

In recent years we have been relying on foreign borrowing by Australian banks to sustain our capital inflow, and I think we have begun to see a fading appetite for Australian-dollar debt in offshore markets. This is one big reason the Australian dollar is cheap, and it is telling us that we should be mindful of the need to sharply slow the growth of Australian-dollar debt offshore.

These are circumstances in which Australia should be aiming for a substantial trade surplus. If we can achieve a trade surplus of just 1 per cent of GDP, for example, we can cut our current account deficit to 3 per cent of GDP. This is a very significant number, because with a current account deficit of 3 per cent of GDP our foreign liabilities would not be growing faster than our national product, and the capital inflow required to sustain the deficit would be almost entirely met by equity investment rather than debt.

So this is a very important and desirable goal, but I want to ask you this. Have you heard anything from the Treasurer or the Prime Minister or any other member of the Cabinet which suggests it is an important or desirable goal? Even a reference to it? Have you seen any hint of national leadership on this issue? Have you seen any suggestion that we have here a government which has the imagination, the courage and the vision to build on the gains of the 1980s and 1990s? To do something in its own right to arrest the growth of our foreign liabilities in the new decade?

It’s true that the last four years the federal government has run a general government underlying surplus which over the four years accumulates to 2 per cent of GDP. The underlying cash surplus is roughly equivalent to the government’s contribution to national saving, and as I said the current account deficit measures the shortfall in our national saving compared to our national investment. With a current account deficit which is still well over 4 per cent of GDP we ought to be running a large Commonwealth fiscal surplus. But we should certainly not be taken in by this surplus. After all, we are now in the tenth year of an economic expansion. A government has to try hard, very hard in fact, not to have a surplus after nine-and-a-half years of uninterrupted economic growth. And while 2 per cent is a useful contribution to national saving, it is less than half the accumulated surplus of 4.2 per cent of GDP Labor built up in successive budgets over the four years to 1990–1991, when we were also fighting a blowout in the current account deficit.

And while the government has achieved a very moderate surplus, it has set us a long way back in national saving in other important ways. When I left office we had a plan in place to take superannuation contributions to 15 per cent of all wages and salaries. Half of the increase over 9 per cent was to come from the government, and half from employees. Another 6 per cent of total wages and salaries into super is equal to something like 3 per cent of GDP—a good deal of which would be a net increase to national saving.

One of the most ideological and reckless things the Howard government did on coming to office was to scrap Labor's 6 per cent addition to the 9 per cent Superannuation Guarantee Charge. In various transmutations the money which was earmarked for the government's contribution to the super of every employee in this country ended up as net income tax cuts designed to sweeten the pill of the GST. In other words, it was blown in order to help a change in the tax mix which I confidently predict will have no discernible impact on our economic performance at all. The GST was always a second-order economic issue.

But if national saving was 3 per cent higher today, we would have a current account deficit at half of the level we had last year, and we would not need to be issuing new debt overseas to finance it. We would have addressed and met the great remaining problem which looms over the economic future of Australia. The last of Australia's great economic vulnerabilities.

This is effectively the Treasurer's only major task. In May 1986 I used the banana republic episode to warn the electorate of our longer-term vulnerabilities. The then government used that community authority to make the most sweeping economic changes since the war. This government now has to do the same thing. To draw down the authority flowing from the exchange rate warnings and use it to deal with national savings and the current account.

If it does not, if it does the electorally 'smart' thing and turns a blind eye, and if perchance it were to stay in office, the debt and liabilities may well go supercritical. The nation will be left in an enormous hole from which it will have great trouble emerging. It would then be left to another government to deal with, similar to the macroeconomic and structural shambles that was left to Labor to deal with in 1983.

I should like to also say a few things about social policy. This is important in a discussion about Federation. For at the time, the one thing that Labor and the Deakinites had in common was a commitment to the social contract—a private enterprise economy with imaginative and compassionate social underpinnings.

Over the last four-and-a-half years, the conservatives have kept all the things which were handed to business by Labor as part of a balanced society. A high profit share, a low corporate tax rate, dividend imputation etcetera. Yet on the other hand, the balancing social aspects of Labor's policies are being gradually whittled away.

The scuttling of Working Nation, the windbacks in education and the collapse of R&D represent a massive disinvestment in the country's future.

A fully employed inclusive society invested with education, opportunity and creativity is the only model we can have faith in. A model that promotes division and unequal opportunity or where we have an untrained or poorly trained workforce focused on old economy pursuits cannot give us the future that the new age holds.

We cannot afford Thatcherism by stealth. Where the benefits of a prolonged period of growth are turned over to half the people, consolidating inequity and inopportunity. Two nations, no society. This would be a dreadful betrayal of the Federation past and future. A golden age for some, something of a bronze age for the remainder.

Britain and New Zealand give the example and Australians should take note!

As I said earlier, it will be harder for Australia to make its way in today's globalised, inter-dependent world than it was for us in 1901.

Back then, we knew where we fitted into the international scheme. Imperial policy was our policy. To the cheers of the crowd during the first Commonwealth election campaign Edmund Barton said 'there could be no foreign policy of the Commonwealth. The foreign policy belonged to the Empire. Australians could not affect that policy except by such representations as they could make to the Imperial Government'.

Now, we are alone. The alliance with the United States is important to us, but it is no life-raft. Australia has to have its own foreign policy. We either want to be an organic part of the region around us or stand from it—behind someone else's strength. In reality, the codes to our safety are in our own command—within our own heads. The determining thing is to know this. Our future lies in this area; in East Asia and the Asia Pacific. That's where our economic growth will come from, and where our security must be found.

The Second World War made that clear to us. And although we have taken some detours recently, engagement with Asia remains the grandest undertaking we face in the first decades of this century.

We are already one of the region's natural integrators, providing the raw materials, agricultural products and increasingly the services which drive economic growth in East Asia. But we also need to be a regional integrator in a foreign policy sense as well. In the recent past we were. We must be again. Our future depends on helping to construct the region's institutions. The grim reality is that unless we are a policy maker, we end up a policy taker.

We just cannot afford to have ten years on with Asia and then ten years off.

APEC, as we saw again in Brunei, is drifting. We have lost management of the large economic and strategic issues inherent in the APEC agenda. And Australia is not a member of the ASEAN plus three grouping which brings Southeast Asia, Japan, China and South Korea together. Pointedly, we have been left out.

In the area of regional security, the ASEAN Regional Forum has not lived up to early hopes for it, but Australia will not be part of the new security architecture being pushed by the United States in Northeast Asia.

We have not been invited to join the proposed new Asian Monetary Fund.

The government's hopes for closer relations between the ASEAN Free Trade Area and Australia and New Zealand were embarrassingly dashed and a new free trade link between the ASEANs, China, Japan and South Korea is being floated. But not with us.

In other words, we are being turned away from the region's decision-making structures, and the strategic consequences for us will be profound.

Let me say something about Indonesia, because that may be the relationship on which we need to work hardest.

The disintegration of the Australian relationship with Indonesia has been the most disastrous piece of Australian diplomacy since Robert Menzies backed the wrong argument in Vietnam.

At what should have been a defining new moment for Australia– Indonesia relations, with the advent of a new democratic government, we've managed to plunge into a thirty-year low.

This did not need to happen. It was not the inevitable result of a choice for Australia between helping to stop violence in East Timor and good relations with the new forces in Jakarta. John Howard has claimed that 'it was quite impossible to avoid a period of tension—especially at the government level—with Indonesia'.

I say that it was not. That it came because of this government's constant preference for perceived domestic advantage over national interest, and the manner in which the policy was implemented—the triumphalism, the lack of any government counter to the wilder effluxes of jingoism coming through the Australian media, the wilful failure to expend any political capital in defence of the relationship. By no means all the fault for the deterioration of the relationship lies on the side of the Australian government, but that is the only part of it we can do anything about.

There has been an unspoken change in Australia's policy towards Indonesia recently. You won't find it in any speech by the government, but it will be found by the historians in 30 years' time when the classified policy papers of this government are available. It is the view that Indonesia can be put on hold. That we can let it all blow by, that there is nothing to be done, that the doing of it doesn't matter so much, and that in any case the Australian people are suspicious of Indonesia and don't want anything done.

I disagree with this assessment fundamentally.

On West Papua the government has to be prepared to articulate clearly what the Indonesia relationship means to us and why it is important. Why it is in Australia's

national interest that Indonesia remain a unified state. It has to shape the opinion and not leave it to correspondents with a bad case of mission creep.

The challenge of engagement with the region is not just, or even primarily, a matter for governments, however. As with Federation, it begins with a change in the way we think about ourselves.

The change will take place primarily in people-to-people contact, in schools and universities, in growing business contacts, in closer sporting ties, in endless different contacts that will each leave its own thin layer of greater familiarity to build the relationship between Australia and the region more strongly.

But engagement does require government support. Alexander Downer tried to draw a distinction earlier in the year between what he termed 'practical regionalism', which he favoured and which seemed to mean making a buck out of the place, and 'emotional' regionalism which, by implication, was what colleagues like Gareth Evans and I had been after, and which well-bred South Australians found discomfiting. Like their approval of 'practical reconciliation' with our indigenes.

You've always got to be worried when you hear the world 'practical' from this government. It's like an anti-matter particle which obliterates the noun it's meant to describe.

In my experience, practical goals on this scale, whether they involve reconciliation with Aborigines or engagement with the region, cannot be reached without a commitment of the emotions—of the heart as well as the head.

But there is one issue to which the current government has returned to the position of the founding fathers and that is immigration. Immigration was a large part of the Federation argument. Deakin said nothing was more important to Australia than keeping other people out and he was the most liberal of the founders. The government's hysterical tone towards refugees and asylum-seekers returns to this theme.

This important subject requires a change of policy.

It's not that I believe Australia should be fair game for anyone who manages to turn up here. We need to keep control. But there has long been an inbuilt tension in Australian approaches, between the idea that the policy is basically about patrolling the perimeter to keep people out and the recognition that we need to attract good immigrants who are doing us a service by helping to develop the country.

Immigration will continue to be a vital ingredient in Australia's national development and while televised pictures of asylum-seekers in camps in the middle of the desert might deter a few queue jumpers from setting out by boat from southern China or the Middle East, such images do us much more damage in sending a message to skilled young people the world over, that this is a country which is suspicious of foreigners. Like everything else in a globalised world, the competition for immigrants is becoming more intense. We are now competing with many other countries, including traditional sources of immigration like Ireland, to attract the best people.

Let me say finally that if I had to pick one thing that I would most like to come from the celebrations of the Centenary of Federation, it would be that we finally stop regarding ourselves as a young country. The image of youth is persistent in our culture. It stems from those allegorical nineteenth-century illustrations of Australian children clustering around the skirts of Britannia, but it continues to shape our view of Australia today.

The national anthem has it quite wrong, however. Far from being ‘young and free’, we are old and free.

An old country, obviously. The oldest continent on earth and one whose ancient landscape has shaped our economy and our national character. One that taught us not to take too much for granted, to look to each other, to value space and the sense of personal freedom that comes with it. And an old democracy which is the basis of the Australian contract to which we are all party.

The only sense in which we are young is that white people came to this country just four of my own lifetimes ago. But we then quickly made ourselves one of the oldest democracies in the world. This country had secret ballots, universal male suffrage (apart from indigenous Australians), and votes for women well before most of the rest of the world. We’ve been governing ourselves for a long time, and we do it well.

It is important that we understand this. So long as we persist in hiding behind the imagery of national adolescence we provide ourselves with excuses for not taking full responsibility for our national life.

The great fear of isolation and abandonment which has shaped so much of Australian history fades when you regard yourself as fully grown.

At the age of a hundred, we can surely permit ourselves confidence in our judgement about ourselves and in our capacity to do what must be done.

If the Centenary of Federation helps us to do that, we will truly have had much to celebrate.