

**2013 ANNUAL LOWY LECTURE
TENTH ANNIVERSARY**

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CHECK AGAINST DELIVERY

Frank Lowy... Steven and David Lowy ... Mr Premier... Ministers... and friends of the Lowy Institute: I have come a long way to deliver a short message:

The 21st century is Australia's for the taking.

Australia should not be angst-ridden over its place in the world. Australia should seize its place in the world. We are not hapless victims of circumstance – we are people who define our own destiny.

That is certainly true of the Lowy Institute. The Lowy Institute is not just one of Australia's premier policy institutes. Thanks to the vision and commitment of my good friend Frank, the Lowy Institute is now one of the world's premier policy institutes.

As a boy of 15, Frank left his native Slovakia for Israel. Before he could set foot in the land promised to Moses, the British interned him in Cyprus. When Frank finally made it ashore, he quickly found himself fighting for Israel in its war of independence.

In 1952, after learning that his mother had made it to Australia from Europe, he came here with a single suitcase. His only real assets were his wit and his willingness to work hard. It turns out that these are the assets that matter most.

In time he opened a deli delivery business. From that little seed has grown the Westfield Group. This Australian business has since redefined the experience of shopping and created a contemporary village square for the world – places where people commune and converse.

So before we go any further, I ask you to join me in saluting our host, Frank Lowy – and the fine institute that bears his name.

Happily the mission of your institute fits well with my theme tonight: The global Australian.

Australians are a naturally competitive people. Maybe it's because of where Australia sits geographically. Whatever the reason, Australians are curious about the world – and the great Australian Diaspora proves we have never been shy about taking it on.

That is a testament to our competitive streak. You see it in our sport and hear it in our everyday language: “Have a go, mate.”

Don't look for entitlements, have a go!

You hear it too in sayings like “she'll be right” – which is also the unspoken mantra of the Silicon Valley entrepreneur, where if your start-up becomes a shut-down, you move on to the next idea, confident in your creativity and passion and effort.

This should be the spirit of the 21st century global economy. And my argument to you tonight is that Australia is well suited by character and culture to be a great success in it.

For Australia is on the cusp of becoming something rare and valuable in this new world: an egalitarian meritocracy, with more than a touch of libertarianism.

But we can't wait for later.

In the past few years, we have all seen how advances in communications and travel have eliminated the tyranny of distance. The same might be said for size.

Think about Singapore, Taiwan and Hong Kong. These are all small places, and hardly blessed with natural resources. Yet not only have they carved out a competitive position in the world because of their free, open and dynamic economies, they have become a source of inspiration for countries around the globe.

Australia can and should do better than all of them.

Tonight, I will talk about three factors that will make the global Australian even more competitive in the world ahead.

First, Australian values. Some people say we need to abandon Australian values. The truth is that if we want to lead rather than follow, we need to promote Australia's values and strengthen the institutions that sustain them.

Second, immigration. Immigration adds its own dynamism to any economy. But having a diverse immigrant population is also a precious resource as we engage the world.

Finally, disruption. One of the few certainties we can have is that the 21st century will be a century of disruption. Australia must be the economy that thrives on disruption. Primarily we will do this through the key drivers of prosperity: trade, technology and free markets.

If we do these things, I promise you this: Australia will do more than prosper. Australia will lead.

Let me start with Australian values.

Australia had a long history before it became a British colony. But that colonisation created a large convict class, disproportionately Irish, and resulted in class pretensions that have lasted a long time. These pretensions include not only the stuffy, narrow-minded elitism that still exists in some small quarters of society, but more recently, the faux class war that has been stirred by contemporary politicians grasping for an election theme.

Thankfully, Australia has emerged from its inauspicious colonial beginnings to become a proud nation, a nation that overcame those primeval prejudices. We have a perfect example: Many of you will remember a day when a Catholic was rare in a Liberal Cabinet.

Those days are now behind us. And Prime Minister Tony Abbott is part of the proof.

The heart of Australia today is our belief in a fair shake for all – no man or woman is above any other. We applaud achievement and innovation.

We want people to strive, to make the most of their talent and not to be content with their lot. That is the essence of an egalitarian meritocracy.

That's an appealing message, and a competitive edge in a competitive world. If we wish to continue to punch above our weight, we must cultivate the values and institutions that sustain this ethos; our churches and our social organisations like the Boys Scouts and Girl Guides, our Lion's Clubs and our wonderful volunteer organisations.

And, a critical part of strengthening Australia's future is clearly fortifying our relationships with our neighbours and allies abroad.

The United States remains our number one alliance. For good reason: Americans share our deepest values, as well as 100 years of history shedding blood with each other in wars for the cause of democracy, both close to home and afar.

But the Prime Minister is assuredly right when he says that Indonesia is probably one of our most important relationships, given its proximity and size.

And, we should seek an open and friendly relationship with China, even as we guard against a possible economic contraction there.

But at the end of the day, the values that define Australia depend on more than good government and strong allies. They depend on sound and vigorous institutions – especially private institutions.

You can't have the rule of law if the courts aren't free and independent – or if you have lawyers running amok as they do in the American system. We cannot allow the rule of law to become the rule of lawyers!

You can't have a free democracy if you don't have a free media that can provide vital and independent information to the people.

And let me say this: You can't have a competitive, egalitarian meritocracy if only some of your citizens have the opportunity for a good education. In a world as competitive as ours, the child who does not get a decent education is condemned to the fringes of society. I think all Australians agree that this is intolerable. So we must demand as much of our schools as we do of our sports teams – and ensure that they keep the Australian dream alive for every child.

In the decades since World War Two, Australia has gone through many changes that bring us closer to these ideals.

But for all this progress, there is still a strand among some parts of Australian society who seem to value every culture except our own. These people are gravely confused about what real multiculturalism is. Multiculturalism is not relativism, and tolerance is not indifference.

Australia has clear values and strong institutions. One key value is an openness to all comers – provided they are willing to abide by our way of life.

The result is a great model for the world – a prosperous, multicultural society of people living together in peace and freedom. Tonight I say we should be proud of what we have built – even as we continue to strive for better.

That leads to my second point: immigration.

Look at Frank. When Frank arrived here, Australia was a strange new experience for him. But step back and remember this: At that point in our history, it was also a new experience for Australia – to see immigrants coming from places other than Britain or Scotland or Ireland.

Today Frank's story is the story of Australia. That's progress.

But it is not enough.

The nations that lead this century will be the ones most successful at attracting and keeping talent. There are countless thousands of intelligent university graduates around the world, and in particular in our Asian neighbours, looking for work, and wanting to start businesses. We need to get the brightest of them here. That is how we will strengthen our human capital.

We think of the United States as an immigrant nation – and rightly so. But the percentage of foreign-born in the United States – a country currently wracked by a self-defeating debate over immigration policy – is just about 12 percent.

In Australia, it is double that.

That means Australia is on its way to becoming what may be the world's most diverse nation. This is an incredible competitive advantage. A nation as small as ours will increasingly depend on trade. The more people we have with ties to other parts of the world, the greater our advantage when we seek trade relationships with these nations.

What immigrant would leave family and history far behind for a life of indolence? People come here because they seek a better life for themselves and their children, and they believe in opportunity.

People call Australia the lucky country; but good fortune is an illusion without effort.

We speak of Australia's natural resources, but energy and creativity are the greatest of our natural resources – and those immigrants who understand and share our values will certainly create greater value for all Australians.

Which brings me to my last point: Australia must be the world's disruptive economy.

The economist Schumpeter once described the process of “creative destruction” as essential to capitalism. The current fashionable word to capture that sense of creative chaos is “disruption.”

I guess some would say that I have been a disruptive influence at times. I will take that as a compliment, even if it wasn’t intended that way.

I have always been a firm believer in providing the public with choice and access to quality content—it was the driving force behind the launch of Sky, Fox News, and, particularly, The Australian.

But when I think of the newspaper industry today, and the transition that has taken place from Gutenberg to Google, I know the status quo is being disrupted yet again. This is the hard reality of living in a global economy.

Perhaps the most revolutionary disruption in the last decade has been the stunning growth of mobile communications. We take it for granted, but we now have access to knowledge almost anywhere in the world—instantly and at an affordable price.

For a company like News Corp, that disruption has actually been a shot of adrenalin.

Now, each and every one of us can have our news and information when and where we want it.

For me, it’s right here in my pocket, on my iPhone, where I can get my Australian, my Wall Street Journal, The Times of London, and my personalised stock quotes, any time I want.

That is a huge leap for an industry that once had to rely on trucks and news agents alone to deliver news to readers.

The same opportunity for global growth is there for Australia, if we can make ourselves more nimble.

While the lack of a huge domestic market presents challenges, it also means we have fewer huge industries demanding the government protections common in large industrial nations – and fatal for any society that hopes to advance in a disruptive world. And, it means we are always forced to think outside the box.

The disruptive forces in the world economy today are as relentless as they are remorseless. But once we embrace that reality, we can make sure they are rewarding.

In his book ‘The Rational Optimist’, Matt Ridley proves that human progress comes through human interaction. The more humans have come together, the more innovation we’ve had. That’s why the curve has increased so steeply over the last two centuries -- and even more dramatically over the last 15 years. It is going to go up even more sharply as billions of people now outside the global economy come into the system.

Let me give you a personal example of what that might mean.

In this country, I have a reputation as a man who occasionally likes to jawbone. In fact, I now wear a Jawbone.

This is a bracelet that keeps track of how I sleep, move and eat– transmitting that information to the cloud. It allows me to track and maintain my health much better. It allows my family and I to know more about one another’s health too, which means it encourages more personal and social responsibility – instead of just running to the doctor when we don’t feel well.

This is only the beginning. Soon we will have similar watches and apps that keep track of our heart rate, our blood sugar, our brain signals. When this information is coupled with what is available on the internet, it will mean the ability to diagnose and suggest treatments – instantly.

That will help us all live longer lives, yes. But it will also change the health industry and the health dynamic. Not to mention opening many new areas for research and profit.

You might be surprised to know that this is precisely the kind of thing where Australia excels. And Australians are already taking advantage of it.

Australia already has companies such as CSL, a firm that is leading the world in developing and producing plasma protein biotherapies. As a proportion of our GDP, Australia's biotech sector is one of the highest in the world. And, two of our universities are in the world's top twenty.

And how many here know that – thanks to the American Australian Association's Education Fund – there's a young scientist from Sydney now at the Whitehead Institute in Boston? There he is using the latest stem cell and genomic technologies to tailor drugs to individuals suffering from Alzheimer's and Parkinson's.

This same program has placed another fellow from Melbourne at the National Institute for Allergies and Infectious Diseases. He's working on vaccines to protect people from emerging pandemic viruses such as the avian flu. A judge on the panel who picked him described this researcher as a potential Nobel Prize winner.

These young Australians are changing the world and we should see them as beacons.

And to lead the way in disrupting the world, Australia must understand that strong investment in our human capital—in the people who have these ideas, whether they be Australian or immigrants—is the most important investment we can make in our nation's future.

In the coming century, the commanding heights of the global economy will be held by those who embrace the spirit of innovation – and turn it to their advantage.

My friends, let me end with a story. Some of you will remember a film called "Spotswood." It was shot in 1992, but set in 1966 Australia. Its stars include Anthony Hopkins and a very young Russell Crowe. In that role he was not a Roman gladiator but an Australian factory worker, fighting the foe of market forces.

Spotswood was the story of a suburban Melbourne moccasin factory run by a wonderful old owner who is hopelessly – but charmingly – out of date.

Anthony Hopkins plays an efficiency expert called in to drag the company into the modern era. At first he plans to do so by laying surplus workers off and introducing new efficiencies. But he falls in love with the people. So in the kind of happy ending that's only possible in the world of film, Hopkins finds a way to save the factory without letting go a single soul.

That's a comforting thought. But think about the world that would have surrounded an Australian factory in 1966. At that time, most countries in this part of the world were dictatorships ... China was in the full throes of a Communist Cultural Revolution ... and India was in economic disrepair. Some places – Hong Kong, Taiwan, Japan, Korea – were beginning to prosper, mostly on the basis of cheap exports based on cheap labor.

The world around an Australian business today is completely changed. Today it is the non-democracies who are the outliers.

Australians no longer have to worry about people producing cheaper moccasins because of cheaper wages – Australians have to worry about someone in Beijing or Bangalore beating us with breakthrough drugs or intelligent robots.

All around us, we face something this region has never had before: a wealthy, educated and globally competitive middle class of more than two billion people.

That is not something we need to fear. That is something we need to lead. And we can do it with a society that values people and knowledge.

So let me leave you with this. Let's stop thinking about Australia's place in the world as defined by its alliances, by its trading partners, by its government.

Yes, we will fight regulations that hamper growth and economic development. But it is the Australian people who will, collectively, define this nation's destiny.

We must be leaders, not followers.

We must be egalitarian, not elitist.

We must be victors, not victims.

It won't be easy. But the Australia that I know and love has never shied from a challenge.

Thank you for having me, and thank you for listening.