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ADVANCE

Essays, opinions and ideas on public policy

Summer 2014

A zone of frenemies?

Amin Saikal on the Middle East's humanitarian and geopolitical crisis

Golden opportunities

Than Saw Way looks at building business in Bangladesh

Financing the future

Bruce Chapman on the use of income contingent loans

Turn back the clock

Alison Booth looks at the benefits of single-sex education

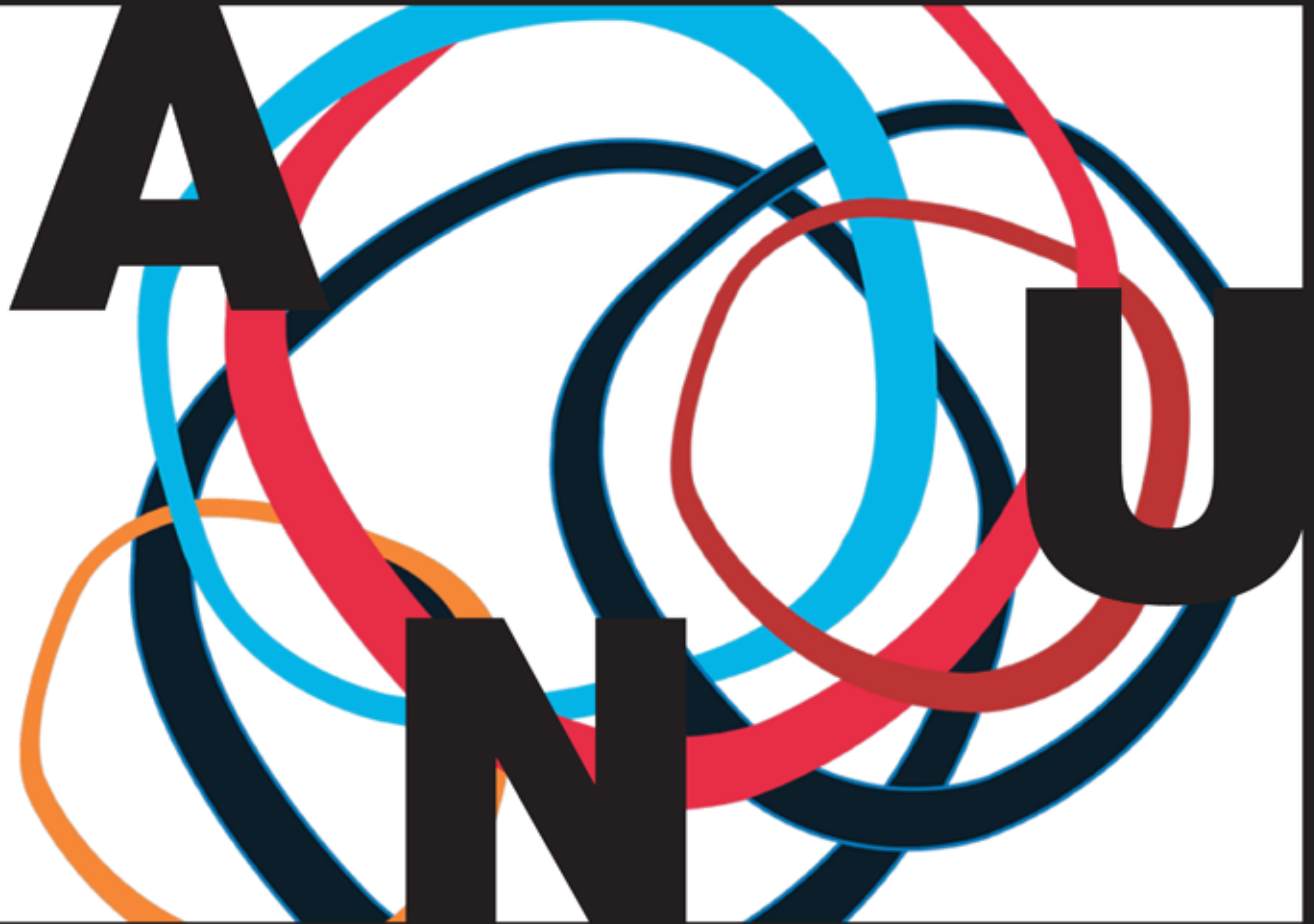


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Introduction



Welcome to the latest issue of *Advance*, Crawford School's and The Asia and the Pacific Policy Society's quarterly public policy magazine.

Each issue of *Advance* brings together some of the world's leading public policy figures to write on issues that are dear to their hearts.

This issue has a strong representation from our students, as well as a piece from Crawford alumna Than Saw Way. Than is now working for the Bangladesh Investment Climate Fund in her home country of Bangladesh after completing her studies earlier this year.

As an educator, there are few things I find more pleasing than seeing students successfully complete their studies and take their new expertise out into the real world. Than is one of hundreds of students each year who graduate from Crawford School with a significant range of skills in public policy disciplines.

I'm proud of Crawford's record in producing graduates like Than. Throughout the region our graduates are working at the highest levels of government, playing a significant role in influencing and shaping public policy, and with it, their communities and societies.

At Crawford School, we believe that the best way to address significant public policy problems is the free and open sharing of ideas, debate, discussion and engagement. Staff and students at Crawford, and the many people we engage with, are part of a broad public policy community. That's why on the pages of *Advance* you'll see former prime ministers published alongside recent graduates. If you have an interest and informed views on an area of public policy, then you have a role to play in helping shape thought and discussion on it.

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I hope you enjoy this issue of *Advance*.

Cheers,

Professor Tom Kompas
Editor-in-Chief, *Advance*
Director, Crawford School of Public Policy

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Building business in Bangladesh

Bangladesh offers big opportunities for business, but are the policy settings right to encourage investment? Than Saw Way reports.

For business, Bangladesh should represent a golden opportunity. It's one of the most populous countries on earth, located in one of the fastest growing trade regions and has an abundance of low-cost labour; it offers huge potential to develop into a hive of business activity and prosperity. Yet while Bangladesh has grown impressively over the past decade, despite the global financial crisis and food price shocks, many would say that it is still not business friendly.

A welcoming environment for businesses has to be driven by Government. So what is the Bangladeshi government doing to attract the investment that will drive economic growth and poverty reduction?

There are some encouraging signs. The government's pro-market stance has led to the private sector accounting for most of the investment in Bangladesh. The private sector is also a driving force behind the growth of sectors which have traditionally been dominated by the government, including education, power generation, airlines, healthcare and infrastructure, among others.

The government's recognition of the private sector as the primary engine of growth is further illustrated by the development of Bangladesh's sixth Five-Year-Plan. It recognises that much of the future investment in Bangladesh will be undertaken by the private sector (including public-private partnership programs). In 2011, private investment was three times more than public investment, a difference of US \$24 billion to \$8 billion.

Despite this encouraging growth in private sector investment, the Bangladesh business environment is still not considered conducive to investment and growth.

The best recognised measurements of the business environment are produced by the World Bank, through their Enterprise Surveys and the *Doing Business* report. The Enterprise Surveys cover 11 aspects of the business environment, including regulation, corruption, crime, informality, finance, infrastructure, and trade. The *Doing Business* ranking shows how easy or difficult it is for small to medium-sized enterprises to start and run a business across a range of indicators.

These measurements highlight some of the underlying issues for investment in Bangladesh. *Doing Business 2014* ranks Bangladesh at only 130 (out of 189 economies) for 'Ease of Doing Business'. The most recent Enterprise Surveys (2007) showed the top three obstacles to running a business in Bangladesh are: electricity, access to finance, and political instability.

Indicators of 'ease of doing business' reveal issues in key areas such as construction permits, getting credit, registering property and enforcing contracts. Entrepreneurs, small and large, frequently complain about prevailing unethical practices, bribery, lack of law enforcement and hurdles due to political events; all of which are highlighted and well-documented in the media.



Than Saw Way is a Consultant at the IFC-Bangladesh Investment Climate Fund — part of the World Bank Group. She graduated with a Master of Public Policy from Crawford School of Public Policy in 2014.



So in a country that so clearly needs investment from the private sector, why is it that there are still shortcomings in the business environment? Part of the answer lies in the impacts of frequent changes in government and lack of focused, action-oriented policies that are implemented carefully.

The political party in power frequently changes laws to suit their political purposes and, as a result, businesses continually have to respond to changes in the legal framework. Moreover, the Center for Policy Dialogue—a leading think-tank in Bangladesh—has highlighted two major limitations: government reforms are rarely implemented efficiently; and the scope for better public service delivery.

It is not that the government hasn't taken any steps to remove the bottlenecks. There are various initiatives including strengthening of government institutions, improvement of service delivery, and

automation of various government service delivery systems such as the online tax identification number registration. In addition, new acts, policies and necessary amendments have also been made to better facilitate businesses, including identification of agribusiness as a thrust sector in industrial policy.

However despite these government efforts, Bangladesh still lacks a vibrant and conducive business environment. It's a situation that hurts the small and medium enterprises most since they are already resource constrained.

The private sector is an important force for economic growth in developing countries like Bangladesh, which will ultimately lead to poverty reduction. More needs to be done to create the right policy environment for business to grow and strengthen private investment.



In the line of fire

Increasing populations and land pressures mean that people are living in harm's way of natural hazards. Christina Griffin looks at what the region's policymakers can do to minimise the risk.

Shrouded by mountain mist a potato farmer in the Dieng Plateau of Central Java tends to his steeply terraced plot. Nearby, steam and poisonous gases rise from a volcanic crater. The active volcanism beneath the fields brings both fertility and danger to the inhabitants of this highland place.

Closer to home, our urban fringe continues to sprawl towards dry eucalypt forest. As our cities expand and people seek a 'tree-change', areas

prone to bushfire are inhabited. The Australian bush provides a tranquil place to live, yet once ignited becomes a dangerous inferno threatening homes and lives.

It's a pattern being repeated around the world. With population and land pressures increasing, people are inhabiting inherently dangerous places—the land surrounding volcanoes, flood-prone river banks or fire-prone bushland to name a few.



Christina Griffin is a PhD Scholar at Crawford School of Public Policy, ANU College of Asia and the Pacific. Her research examines natural hazards and land-use change in Java's highlands.

Spatial planning is one method that can be used by the public sector to limit the distribution of people and infrastructure in hazardous areas. It goes beyond land-use planning to integrate policies for the development and use of land with broader economic, social, environmental and disaster risk reduction policies.

Yet to be effective it needs commitment from governments and communities alike. In a world where population growth and climate change are increasing both the likelihood and the severity of disasters, a review of spatial planning practice is necessary. We need to not only understand if and how spatial planning laws are implemented, but also the social and economic factors that influence their implementation.

Adherence to rigid spatial planning laws can be difficult, restrictive to growth and politically contentious. So instead, we often place excessive trust in mitigation and engineering efforts. Yet as the 2011 Tohoku earthquake and tsunami in Japan demonstrated, even the best engineering efforts informed by world-class scientific modelling, can fail in catastrophic circumstances.

Have we learned that lesson and incorporated it into other planning and mitigation efforts globally? In Indonesia's capital of Jakarta flooding is a constant occurrence during the wet season. Prolonged rainfall, combined with high tides, floods settlements, particularly those situated along the northern coast. These flood events are predicted to increase dramatically as the city of Jakarta subsides and sea level rises. Yet this risky location is home to an ever-increasing number of people.

One plan currently on the table to combat this rising risk is the enclosure of Jakarta Bay. Proposed by a Dutch consultancy in collaboration with the Indonesian Government, it involves the construction of a massive sea wall and large areas of reclaimed land seawards of the present-day shoreline. A series of pumps would then expel water from the enclosed bay, protecting Jakarta's shoreline from inundation.

Yet how would such an ambitious engineering feat bear up during an earthquake, tsunami or severe storm event? By relying exclusively on engineering solutions to allow settlements and infrastructure to survive in hazardous areas, we are also building a legacy of engineering solutions that could fail catastrophically in the event of an unforeseen hazard.

With the limitations of engineering and mitigation solutions in mind, we also need to ask how can we protect those who are already occupying hazardous locations, particularly as they are often the most vulnerable in society. Forcible relocation is often not feasible, due to the costs involved and the encroachment on people's rights.

Rather than relying exclusively on our ability to engineer solutions we should also be thinking about why we occupy such hazardous areas at all.

Last year, under Jakarta's then governor and now President Joko Widodo, many illegal settlements fringing Jakarta's waterways were relocated. While not all residents were supportive, the provision of alternate accommodation meant that the enforcement of spatial planning laws did not unduly disadvantage the most vulnerable.

The relocation of people from Jakarta's waterways demonstrates how difficult it is to implement spatial planning retrospectively. This is why we need to tighten controls for the future to ensure that the same mistakes are not made. And as infrastructure and settlements are purposely built in safe areas, we may see the gradual shift of population away from hazardous areas.

The recent report from the Royal Commission into Australia's 2009 'Black Saturday' bushfires provided some useful recommendations along this theme. The report suggests that construction is prohibited in certain high-risk areas. And while these restrictions cannot apply to homes already located in high-risk areas, a voluntary retreat and resettlement strategy is proposed. If, and how, this will be implemented is yet to be seen.

As the impact of natural hazards increases worldwide, we need to better think about and implement solutions that can protect communities. Rather than relying exclusively on our ability to engineer solutions we should also be thinking about why we occupy such hazardous areas at all.

With a rapidly-expanding global population, the development of key assets and infrastructure in potentially dangerous locations, and an increased likelihood of hazards with climate change, the need for better spatial planning is more important than ever.

The Middle East: a zone of frenemies?

By leading the charge against Islamic State, the United States has missed a foreign policy opportunity to encourage regional cooperation and break down some age-old barriers in the Middle East, writes Amin Saikal.



The oil-rich but volatile Middle East and its wider eastern environs are in the grip of multiple humanitarian and geopolitical crises.

From Pakistan and Afghanistan to Iraq and Syria and as far as Palestine and Libya, the region is experiencing long-term structural instability and insecurity. It is in the throes of major geopolitical and power shifts, the likes of which not seen since the disintegration of the Ottoman Empire and the British-French colonial realms nearly a century ago.

The old correlation of forces in support of maintaining the *status quo*, especially following the Iranian revolution more than 35 years ago, has been altering. A set of new alignments and realignments along multiple overlapping and contesting regional fault-lines, including sectarian divisions and geopolitical rivalries at different levels, has come to redefine the region and possibly change its traditional political and territorial contours.

The sudden rise of the extremist Sunni group of the Islamic State of Iraq and the Levant (ISIL), and its conquest of vast swathes of Iraqi and Syrian territories, have introduced a new dimension to the conflict-ridden Middle East. The group's declaration last June of *khilafat* or 'Islamic State' (IS) and its name change from ISIL to IS has amounted to a geopolitical tsunami. It has fatally fractured what was already shaping up as a politically and territorially fragmented Iraq and Syria.

IS's radical ideological disposition to fight for the control of the rest of the Middle East and the

Muslim world, with a call on Muslims to join it in this mission, has also posed a serious threat to Iraq's and Syria's neighbours.

This has shocked the United States and many of its Western allies, and caught them off-guard. The shock has especially been painful when considered in the light of the staggering amount of blood and money that the US had invested in Iraq for nine years following its 2003 invasion of the country, which aimed to transform Iraq into a stable, secure and democratic state. In a matter of weeks, IS was able to rout what was reputed to be the best US-trained and equipped Iraqi military, and capture one-third of Iraq's territory, including the country's second largest city Mosul. Added to this were large quantities of modern US arms, as well as millions of dollars and some small oil fields.

The group's Iraqi gains multiplied what it had already consolidated in terms of territory and wealth in the northeastern part of war-ravaged Syria. It is now said that the group has total assets of \$2 billion, with some of its revenue having come in the past from sources in oil-rich Gulf Arab countries, Saudi Arabia, Kuwait and Qatar in particular.

IS has emerged more of a threat to Iraq and Syria and their Sunni-dominated neighbours, from Jordan to Kuwait to Saudi Arabia and Turkey, as well as the Shia Islamic Republic of Iran, than to the West. However, given IS's medievalist atrocities and its attraction of many foreign Muslim fighters, including hundreds from Western countries, President Barack Obama and many of his Western counterparts have found it compelling to take the lead in launching what is called a humanitarian and non-combat military campaign to roll back IS.

President Obama's long-term strategy has included: intensified and wider airstrikes against IS bases in Iraq and also Syria; arming and retraining anti-IS forces on the ground, including Iraqi Government forces and the Kurdish Peshmerga; cutting off financial support for IS and like-minded groups; stopping the flow of foreign fighters to IS; assisting moderate opposition forces against the Bashar al-Assad government in Syria; providing humanitarian aid; and forging and maintaining a regional and international coalition to assist the US in its mission.

However, this strategy has not really worked so far and the pressure is building for Western ground combat involvement. Given that past US-led interventions in the region have created, not solved, more problems, with serious blowback, an alternative to the US-led strategy would have been a regional-led one, backed by the US and its allies.



Amin Saikal AM, FASSA, is a Professor of Political Science, ANU Public Policy Fellow and Director of the Centre for Arab and Islamic Studies at The Australian National University. His most recent book is *Zone of Crisis: Afghanistan, Pakistan, Iran and Iraq* (2014).

From Pakistan and Afghanistan to Iraq and Syria and as far as Palestine and Libya, the region is experiencing long-term structural instability and insecurity.

The IS phenomenon, whose roots go back deep to US mismanagement of the post-2003 Iraqi invasion, has indeed posed, foremost, a threat to Iraq, Syria and their neighbours.

To address this threat, the best option would have been for the regional states to fight IS as a common enemy. Although a great deal is said about the Arab-Iranian or, more specifically, Saudi-Iranian rivalry in this highly complex region, the need to deal with the IS threat would have forced them to put their differences aside and unite in a shared cause. It is unthinkable that Iran would have allowed Baghdad to fall to IS and that Saudi Arabia and its Arab allies would not have acted in concert to prevent the IS from crossing their borders and foregone any cooperate with Iran in this respect. As such, IS could have become a factor in opening the way for regional cooperation, which is badly needed in the area. This would have enabled the US and its allies to avoid getting involved in another, possibly counter-productive major conflict in the Middle East.

The Western countries have reason to be concerned about their hot-headed young Muslim citizens who have gone to fight for IS. But this should not be regarded as an insurmountable problem. Many of those citizens are likely to be killed or not return to their countries. Those who may return could easily be screened and re-orientated by the authorities.

This is not the first time that a noticeable number of young Muslims from the West have participated in foreign violent Jihads. Hundreds of them went to Afghanistan to take part in the Afghan Jihad against the Soviet occupation of the country in the 1980s. Then, the CIA was happy to coordinate and assist their supply, from New York to Islamabad, to the Afghan Islamic Resistance forces or the *Mujahideen*. This was justified in the name of a good cause.

Similarly, some Western countries, including Australia, have had no qualms over some of their Jewish citizens either joining or fighting for the Israeli security forces, and have not viewed their return with trepidation. It is not surprising to hear Muslim voices raised about double standards.

As President Obama has said, the fight against IS is going to be multi-dimensional and drawn-out. Yet, there is no certainty as to what might emerge at the end in what is now a disintegrated Iraq and Syria in an already very complex region. Ultimately, the US and its Western allies, including Australia, will have to shoulder most of the heavy lifting against IS.

The current US-led strategy may well please those who cherish the opportunity to once more focus not only Muslim but also world attention on the US and its allies as hegemonic and trigger-happy.





Made to last

Policymakers and academics search for robust and resilient public policy, but what does that look like and is it always desirable? Karen Hussey and Peter Burnett report.

Robust: strong, healthy, vigorous, practical and imbued with common sense.

Resilient: capable of regaining its original shape or position after an exogenous shock.

Speaking at the recent launch of his book, *The Fights of My Life*, former Climate Change Minister Greg Combet, said of the repeal of the emissions trading laws, which were five years in the making and the crowning achievement of his career, “it’s not the end of carbon pricing, just a set-back”.

It reminds us of the Black Knight in Monty Python’s *Holy Grail*, who, upon having his second arm severed in a sword fight, said “it’s nothing, just a flesh-wound!”

Policy can be like that. Severe losses can be sustained in struggles with daunting policy adversaries, and while some policies will struggle on or be resurrected at another time (usually under a different name), others will never regain consciousness. And it’s not always obvious which outcome is most likely.

Decades of scholarship has centred on how governments and the bureaucracies that serve them can maximise successes, limit failures, and minimise or manage the externalities of either. Similarly, much effort has gone into the means and methods for monitoring and evaluating policy effectiveness, though it remains the ‘poor cousin’ in the policy-making process.

The explosion in policy analysis as a specialist field of enquiry follows from Harold D Lasswell’s assertion in 1951 that public policy is a science: success would be inevitable if only we could get the design of public administrations right, the balance of policy instruments correct, sufficient buy-in from the relevant stakeholders, and the financial resources to commit to the policy long-term.

But these arguments ignore the fact that public policy is at once creative and political; the former makes it by definition iterative, and the latter makes it powerful, messy and vulnerable.

The full power of public policy can be seen in national, systemic policies such as the

microeconomic reforms of the mid-1990s, and in more contained but enduring policies like driver safety programs and anti-smoking campaigns. While vastly different in scale and scope, all have discernible, enduring legacies. As public administrations become more skilled and adept at designing policy—and as globalisation provides lessons from other jurisdictions—the power of public policy to achieve its outcomes has been enhanced.

Yet the vulnerability of public policy to the pressures of politics has increased in recent years, for a variety of reasons. Principal among them is the rise of the 24-hour media cycle.

Some applaud the inevitable media attention on policy outcomes as a ‘win’ for transparency and accountability. But such attention has also, regrettably, resulted in politicians and public servants becoming ever-more risk averse, with policy-making becoming as much an exercise in short-term ‘risk management’ as it is an effort to achieve public good outcomes.

As recent commentary in this country attests, the disproportionate increase in ministerial staff vis-à-vis departmental staff has served to heighten this intensely risk-averse policy environment.

In such an environment, the capacity for policymakers to develop and implement creative, innovative and bold policy is reduced; there is little room for trial and error. This stifling of innovation is compounded because it is policy experimentation and failure that triggers change in policy learning and policy thinking. The result is policy that can perhaps best be described as timid, and which is very often far removed from being ‘robust’ and ‘resilient’.

Arguably none of this would matter if there weren’t urgent and complex challenges that demand robust and resilient policy responses—policies that can navigate those factors which paralyse the policy environment and which result in one or other of the four sub-optimal outcomes listed above. Climate change is just one challenge which requires a long-term, strategic, robust and resilient policy that endures, so that both the long-term objective can be achieved and the capital expenditure that will underpin it is not wasted.



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Peter Burnett is a PhD candidate at the ANU College of Law. Peter is researching the development of environmental meta-policy in Australia.

Public policy is at once creative and political; the former makes it by definition iterative, and the latter makes it powerful, messy and vulnerable.

We do not want to throw out the ‘democracy baby’ with the bathwater of short-termism. But this same example exposes the inadequacies of the current political and policy environment. Australia’s 2012 Clean Energy Future Plan was a comprehensive, considered set of policies that addressed an issue of national and international importance and which, for a time, enjoyed bipartisan support. Yet for all its clever crafting and import, very little of it remains intact just two years after its introduction. Under the guise of democracy, and despite much of it being entrenched in legislation and accompanied by institutional arrangements designed to be independent of political processes, it succumbed to the vagaries of contemporary politics.

Clearly the desire for robust and resilient policies is not new. The establishment of statutory authorities, cross-party committees and future funds (beyond those for superannuation liabilities!) are familiar approaches. But even the legislative backing involved in these strategies is not sufficient of itself. The recent demise of several statutory authorities highlights the vulnerability of those agencies to politicking and/or ‘efficiency measures’. It also speaks to the entrenchment of ‘new public management’ and its emphasis on efficiency and responsiveness has swung the pendulum too far in the direction of a business model of governance, dominated by the ‘CEO’ and the ‘Board’. While these are just two examples, they are symptomatic of the broader problem.

The factors that inhibit the development of robust and resilient policy can usefully be categorised according to whether they derive from issues with our political system or public administration.

There are, though, five risks that deserve particular attention:

1. A more polarised political climate which results in major swings in policy priorities.
2. A political focus in the short-term budget bottom line that undermines capacity to deliver policies and programs over time.

3. Inadequate, non-existent or altered statutory provisions that feed real or imagined perceptions of ‘red tape’.
4. A lack of ‘fit for purpose’ data to design policy with a degree of confidence.
5. Cultural shifts within public administrations that see institutional capacity eroded, skills shortages, and an over-reliance on outsourcing (sometimes even when the in-house skills and capacity are available).

Overcoming these issues is not straightforward but there are some reforms that warrant discussion, not least because they deliver a measure of success in other jurisdictions. Four in particular come to mind because they attempt to establish new, or reform existing, institutions which are by definition independent, robust, resilient and designed to endure.

First, and most importantly, enhancing the institution of parliament itself. Four- or five-year fixed terms would give greater stability and predictability to politics and would also do much to encourage the same attributes in policy.

Second, the establishment of ‘future funds’ to support long-term and strategic policies, which are identified as priorities. Such funds would intentionally loosen the constraint of four-year forward estimates. A requirement for bipartisan support at their establishment would necessarily limit the funds to those issues which are collectively considered to be in the national interest. Note this idea must not be confused with the poorly-named ‘Future Fund’.

Third, a mandate for five-year ‘action plans’ which are legally binding and which come with both incentives for compliance, and financial penalties for non-compliance. Again, this would require the establishment of ‘medium term’ funds which both move beyond the four-year forward estimates constraint and carry over to the second parliament. Both conditions could enhance the resilience of those policies that are implemented through the five-year plans.

Finally, measures to restore some of the independence of the public service, to reinforce the culture of frank and fearless advice and enhance policy debate. Some measured steps in this direction could include requiring termination of a secretary’s appointment be based on actual, not anticipated, performance, under the current minister. This would prevent another ‘night of long knives’.

Crafting resilient public policy isn’t easy; it is, after all, a contestation of social values. But we can take heart in the fact that we’re far better at it than Monty Python’s knights of Camelot:

Sir Bedevere: ...and that, my liege, is how we know the Earth to be banana-shaped.

King Arthur: This new learning amazes me, Sir Bedevere. Explain again how sheep’s bladders may be employed to prevent earthquakes.

The authors gratefully acknowledge comments made by participants at an ANU Public Policy Week event on an earlier version of this article.



Navigating asylum policy

The boats may have been stopped, but how do we chart a course to a long-term asylum policy for Australia, asks Peter Hughes.

The combination of measures implemented by Australia's Labor government in its last months in office, and expanded by the Coalition government since, have, for all practical purposes, stopped the arrival of maritime asylum seekers on Australian shores.

So what comes next? How do we get to a better long-term asylum seeker policy, especially when it's such heavily-contested political ground?

Over the past 15 years Australia has experienced two significant, and highly diverse, inflows of maritime asylum seekers, facilitated by people smugglers—some 12,000 people in the period 1998–2007 and some 50,000 between 2008 and 2013. Virtually all of the first group ended up staying in Australia as refugees. It may well be the same for the more recent arrivals.

In both cases, these movements of people were generated by conflict, or political, social and economic instability outside Australia's immediate region. Australia was one of many destinations around the world for these people. Unlike the quiet, ongoing process of asylum applications from people who arrive in Australia with visas, this phenomenon and government policy responses have been bitterly divisive in the Australian community.

In the end, denial of access to Australian territory, whether through requiring resettlement of Australia-bound maritime refugees in Papua New Guinea and Nauru, abbreviated assessment processes for Sri Lankan asylum seekers or turning boats back to Indonesia, has been decisive in causing fewer asylum seekers to choose a smuggled passage to Australia by sea.



Peter Hughes is a visitor at the Regulatory Institutions Network, ANU College of Asia and the Pacific. Prior to joining ANU, he was Deputy Secretary in the Department of Immigration and Citizenship.

These approaches may not, however, prove sustainable in the longer term, given their dependence on significant military resources and small countries that are not part of this flow of asylum seekers.

Looking ahead, the underlying problem is not going to go away.

The global environment looks more, rather than less, challenging. Many more people are on the move globally to gain protection from persecution, a new home or greater economic opportunity—or a mixture of these things.

The movement of people is being accelerated by growing awareness of the opportunities to move, new communications technology, cheaper transport and active facilitators.

The United Nations High Commissioner for Refugees has indicated that global forced displacement of some 51 million people (17 million refugees, 33 million internally displaced persons and over one million asylum seekers) is at the highest level since the Second World War. There are many millions more people seeking migration opportunities for employment over and above the forced migration figures.

Australia cannot be immune from any of this. We can, and have to, make choices as to how we will engage with this environment of growing displacement and people on the move.

In bringing the two recent major flows of people to a conclusion, we ended up choosing the harshest options. The Australian community welcomed the ending of arrivals, but has always been uncomfortable about the human cost. There must be a better way.

Policy responses by successive governments to date have focused on ‘quick fixes’ driven by political and community pressures. A more measured approach will be needed.

One choice, advocated by many, would be to maintain open access for maritime asylum seekers and to accept the consequences. Experience in Australia and elsewhere indicates that this approach will attract very large numbers of both asylum seekers and economic migrants facilitated by people smugglers. The numbers coming to Australia reached 4,000 people in a single month in July 2013. There is no reason why they could not

Australia cannot be immune from any of this. We can, and have to, make choices as to how we will engage with this environment of growing displacement and people on the move.

go much higher. Exploitation and deaths at sea, corresponding to the size of the movement, go with this inherently disorderly and unsafe movement.

If Australia doesn’t want to embrace this approach, it will need to make a long-term investment in global and regional management of the movement of people and protection issues.

The demand for migration opportunities, whether forced or economically based, to Australia and other (developing and developed) countries is unlikely to be satisfied. Priorities will need to be set as to those most in need and how they can best be assisted.

A good start would be the development of an integrated Australian refugee policy that articulates our responses to global and regional refugee issues, bringing together foreign policy, aid policy, the offshore humanitarian resettlement program and domestic asylum policy (including for both maritime and visaed arrivals).

The policy aim would be to develop an improved system of refugee protection in our region that encouraged asylum seekers to seek protection in countries of first asylum, closer to the country of origin, and have their future determined in those countries—whether it be local integration, international resettlement or a return home.

It should seek to provide protection and migration opportunities for those most in need and, by stabilising those populations, to minimise opportunities for people smugglers and irregular migration.

As part of such a policy, Australia would need to be much more active in engaging its regional partner countries to better manage the movement of people and develop a sense of collective responsibility in dealing with protection issues. This is a long-term task, as few countries in the region are parties to the 1951 Refugees Convention and few have strong national institutions for migration management. Civil society can play an important part in this process.

Australia, for its part, needs to do more—by increasing its own contribution to resolving regional protection issues through greater diplomatic activity, funding to support refugee populations in the region, capacity building, significantly increasing its offshore refugee resettlement program and targeted use of migration opportunities.

Unfortunately, none of this will make much difference to future maritime arrivals if the people smuggling option remains open in parallel, and asylum seekers can quickly and directly access Australia by that means.

Firm, but humane, action is needed here. The best approach would be readmission agreements, under acceptable conditions, with transit countries such as Indonesia and Malaysia, which enable any people reaching Australia by sea to be returned to a transit country by air and have their future determined from that location. Such arrangements would be safer and more desirable than use of small Pacific countries and boat turnarounds on the high seas. If these mechanisms were seen to be effective, they would rarely need to be used.

In the meantime, Australia is faced with the legacy of 33,000 recent maritime asylum seekers (including some 2,100 in PNG and Nauru) whose future has not yet been resolved. An immediate priority is to set a firm timetable for decisions on their refugee status, to provide appropriate long-term protection to those found to be refugees and arrange for return home for those who are not.

While 'stopping the boats' has been an effective short-term fix, Australian policymakers need to take time to reflect before putting in place a long-term strategy. Without addressing the deeper issues there will be no resolution—just a series of awkward quick fix answers to a complex regional and global issue.



Financing the future

The Australian Higher Education Contribution Scheme is a model that has been adopted worldwide. But it is an idea that has still greater potential, writes Bruce Chapman.



If you're below the age of 40 and reading this, there is at least a fair chance that the Higher Education Contribution Scheme—HECS—has, in some way, been a feature of your life. You may have already paid it off, or be in the process of doing so, or perhaps you just feel like you've been saddled with it.

Whatever your feelings about it—and I say this as the person often blamed and/or credited with the design of HECS—I hope that you feel that the system has at least been fair to you. If you've had money, you've had to pay it back, if times have been tight, then the amount you repay will be lower.

HECS was introduced in 1989 by the Australian Government. It is a process in which debts are collected through the tax system depending on the participant's income. This arrangement is known as an income contingent loan (ICL).

ICLs differ critically from 'normal' loans in that repayments occur if and only when debtors' incomes reach a given level. And if they don't ever reach this level no payments are ever required.

In the years since its introduction, other countries have adopted similar student loan schemes. There's even an ICL bill currently under bipartisan consideration in the US Congress.

If loans are not income contingent, many students will face considerable repayment burdens in terms of economic hardship.

ICLs are now the student loan mechanism in Australia, New Zealand, Ethiopia, England, Hungary, South Africa and South Korea, with most countries providing finance for both tuition and to cover living costs. Interest rate subsidies are usually the norm. It is generally agreed that these policies have worked effectively in equity, efficiency and administrative senses.

While HECS was considered to be a creative innovation, applauded in the main for its political sophistication, no-one at the time foresaw the potential of ICLs to transform the debate concerning the economic and social policy landscape. There was no appreciation of the possibility that contingent loan financing could provide a model for far-reaching renovations to the nature and form of public policy; yet in the eyes of some contemporary social scientists such a possibility is close to being realised.

My colleagues Dr Tim Higgins and Professor Joseph Stiglitz and I have been investigating the potential of ICLs, and the intellectual, conceptual and empirical bases of contingent financing.

Applied ICL research is not novel. Indeed, over about the last 25 years, economists and other social scientists have taken the basic template of Australia's education ICL and applied it to a plethora of different social and economic arenas.

Our research, and the work of others featured in our new book—*Income contingent loans: theory, practice and prospects*—suggest there are a few key features which mark out successful design for ICLs.

The first is understanding that the public sector has a monopoly by law with respect to knowing citizen's incomes through the internal revenue service (the tax office); so it is natural that governments take jurisdiction over ICL policies. These arrangements deliver the insurance benefits of reducing repayment difficulties and providing protection against default in policy areas often characterised by market failure (which very obviously exists with university financing because of students' lack of collateral).



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Schemes of this type can also involve equity and this takes the form of human capital contracts. In this latter approach those assisted agree to repay a set percentage of their incomes for a given period, with the present value of repayment rising with lifetime income. There can also be hybrid schemes, combining attractive aspects of both arrangements.

If loans are not income contingent, many students will face considerable repayment burdens in terms of economic hardship and some will experience difficulty servicing their loans and/or will default. This problem led to the collapse of the Chilean loan system following student protests.

The difficulty in most developing countries with respect to the adoption of an ICL is having an effective collection mechanism, since this approach to higher education financing usually requires a comprehensive and efficient income tax system.

Design issues aside, where could ICLs be used beyond higher education? Research suggests a range of other potential applications, including for the financing of: extensions of paid parental

leave; recompensing poor countries for skilled migrant emigration; legal aid for civil disputes; a profit-contingent loan arrangement for research and development for small and medium enterprises; the payment of low-level criminal fines; and out-of-pocket health care costs.

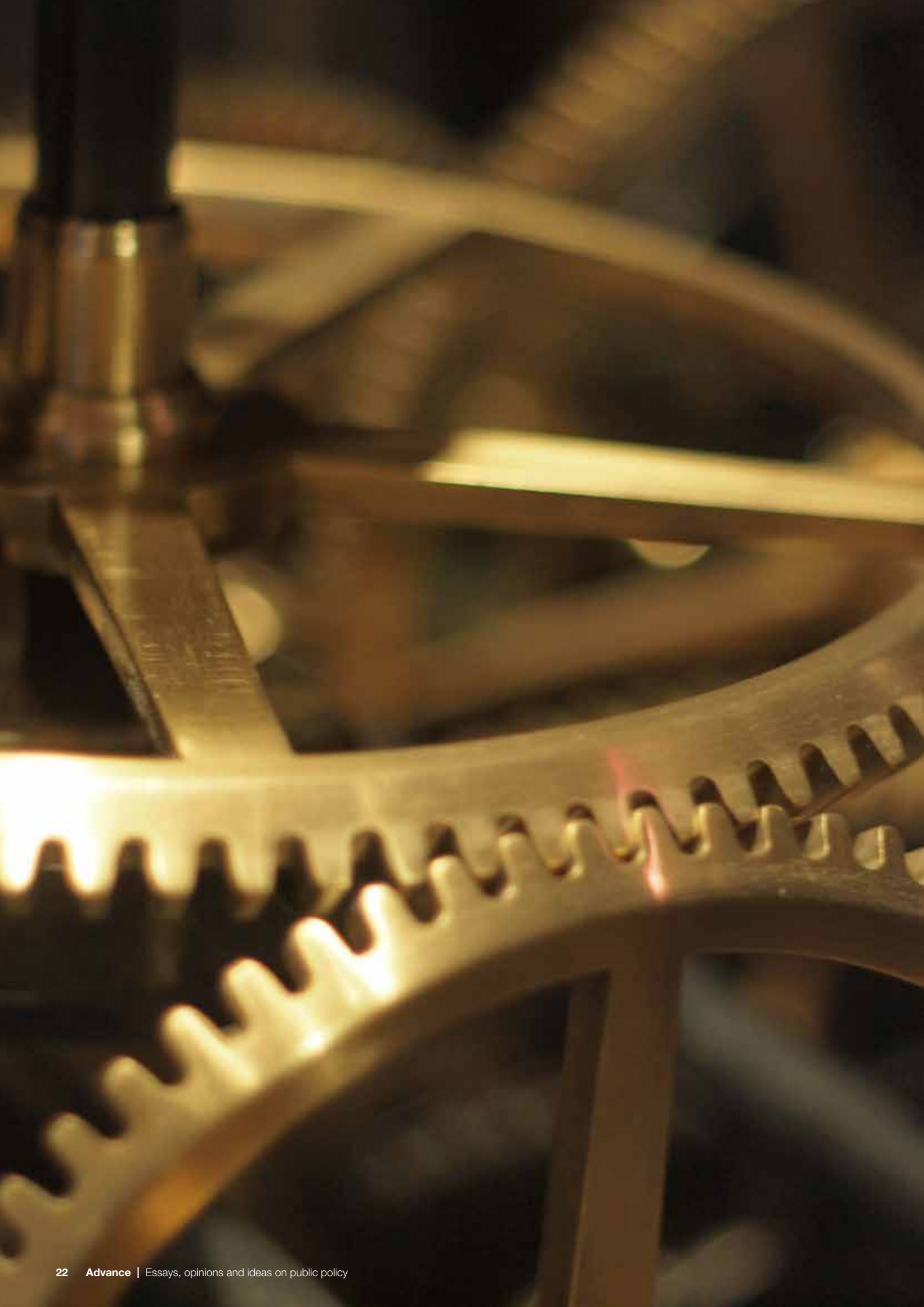
The diversity of potential applications suggests that ICLs could well have appeal as a new way to think about the role of government.

Of course, enthusiasm for the take up of ICLs has to be tempered by the political and economic realities of government lending in a loan environment dominated by the banking industry. But the prospect for substantial benefits to people's lives, in terms of both transactional efficiencies and equity, makes these opportunities worth pursuing.

Improvement to the functioning of markets through the use of carefully designed income contingent instruments has the potential to lead to large welfare gains. Careful framing of the benefits to the public, to politicians and to policymakers, will be critical for this kind of reform.



These ideas are explored in a new book edited by Professor Bruce Chapman, Dr Timothy Higgins and Professor Joseph E Stiglitz: [Income contingent loans—theory, practice and prospects](http://bit.ly/incomecontingentloans) bit.ly/incomecontingentloans



Moses and The West Wing

The realities of policy influence are more complex than they may appear from the outside, but the rewards make it worthwhile, writes Catriona Jackson.

There are a few fully-fledged fantasies about the way academics give policy advice to government.

Let's look at two, the Moses and *The West Wing* models.

In our Moses scenario parliamentarians sit—like students—waiting to be nourished with knowledge only the professor can provide. The professor hands down the tablet of wisdom, and the students depart to spread the word through reinvented public policy.

In *The West Wing* model, the president, faced with a wicked problem, calls on his old Harvard pal to solve it. Said professor swoops in, applies his mind to the issues at hand and, despite a few ethically challenging moments and bit of high drama, saves the day.

These are deliberate simplifications but they touch some truths—and probably more prejudices—held by both academics and bureaucrats.

The myths highlight the gulf in mutual understanding between many academics and many policymakers, which starts with a lack of understanding about how their daily work differs.

So, are academics and policymakers like oil and water, so different that a fruitful mixing is just too hard?

No—but understanding the differences between how academics work and how public policy works helps enormously if one is to influence and interact usefully with the other.

Two of the clearest thinkers on these issues are Dr Subho Banerjee, Deputy Secretary in the Federal Department of Industry, a Rhodes Scholar with an ANU PhD in Physics, and ANU Professor of Strategic Studies Hugh White, one of the nation's most respected public intellectuals and a former senior political adviser and bureaucrat.

Banerjee says the 'policy factory' is like Willy Wonka's chocolate factory, clearly full of creativity and excitement, but with high gates obscuring the internal workings.

At a fundamental level, he says, both policymakers and academics deal in ideas, the churning, creative process of pulling and pushing them around until the best result is attained. The best result is where the difference lies.

Banerjee stresses that science does not make policy, the democratic process does.

White says the day-to-day job of an academic is to seek out the truth and to build knowledge. Public servants have quite a different job. They identify a problem or question to be answered and develop a range of solutions, taking many factors into account. Their work is about offering the best options to parliamentarians as they go about their daily business of making decisions.

Both talk much common sense. Both stress the impossibility of a good result without better understanding on both fronts, and both urge full-blooded engagement to improve the quality of public policy.

Making public policy is about balancing many factors to achieve the best result, and the input that academics make is one of those factors; it can be a powerful factor, but it is just one of a range.

So the policy-making process is a wonderful but messy contest of ideas. Given that, how does the average academic make their way in? The policy process can be usefully broken into five steps:

- > defining the research question
- > developing solutions (options)
- > consulting
- > adopting the policy
- > evaluating its effectiveness.

Academic advice might be useful at any point in this process and, at a really high level, helping to define the problem to be addressed at the outset is critically important.

Navigating all this is clearly not possible without considerable effort and meaningful connections between policymakers and academics. Just knowing what stage the process is at, and what kinds of questions you might be able to usefully answer, is impossible from outside.

Making a contribution to public policy is just that, making a contribution. It is not like putting your ideas into a learned journal or giving a conference presentation. But the rewards are clear. Improving the quality of the policy that governs every part of our lives is surely worth the effort.



Catriona Jackson is CEO of the peak body Science & Technology Australia. The intersection between policymakers and scientists will be the subject of a day-long forum in early February at Crawford School; 'Science meets Policymakers'. Find out more and register at: bit.ly/scipolevent



Sectoral stagnation and the yen

Japanese policymakers need to reconsider how they think about private investment in the economy, writes Luke Meehan.

The 1980s were renowned for the computer game Pong, big hair and bubble skirts. But while these items have been consigned to the dustbin of history, it remains common to think of Japan as caught in its own bubble—a 1980s manufacturing-driven economic structure.

Whether Japan's history as a manufacturing-export focused economy is a reality today remains a hot topic. Sectoral shifts may give good reasons to question this assumption.

Firstly, the integrated trade structure of East Asia may be driving Japan towards a smaller direct role in adding value via manufacturing; instead enhancing value through capital, management or marketing. Essentially, less hands-on building and more highly-skilled input.

Secondly, as more companies seek new business opportunities through overseas manufacturing, rather than using Japanese-based manufacturers, there may be a 'hollowing-out' form of deindustrialisation. The need for manufacturing doesn't disappear, but the Japanese people's direct involvement declines.

Thirdly, malinvestment due to policy or market failures may not directly translate to increases in economic growth in the long-term. These three concepts come under the broad label 'sectoral stagnation'.

The key currency take-away of this theory is that, in the event that sectoral stagnation in manufacturing has occurred in recent Japanese economic history, stimulating economic growth may no longer be a motive for yen depreciation. But the major policy insight is that Japanese policymakers may need to reconsider how they think about private investment in the economy, and particularly where that investment takes place.

There is evidence of consistent stagnation in the ability of Japanese manufacturing investment to generate growth since the early 1990s. The evidence from 2010s Japan indicates both economic growth and productive non-manufacturing investment respond positively to yen appreciation, and that this relationship is

strengthening over time. Impulse responses of the real exchange rate to manufacturing investment innovations indicate this sectoral stagnation may be due to the exporting of investment. Japanese economic growth appears now service-sector driven and to benefit from a higher yen.

For many policy-works, these findings are starkly counterintuitive. Voluntary corporate investment in productive capacity should not decrease economic output. It would be exceptionally difficult to frame a model in which services investment shocks had a positive impact on output, but in which manufacturing investment shocks lowered.

A close reading of the data sources reveals the problem.

Japan's top-level economic statistics captures investment data via the Ministry of Finance, who in turn get the data from companies. These companies send in a quarterly report of their 'investment' figure from their 'Statement[s] of Financial Position'.

So far, so good? No, because these accounting documents (quite rightly from a company's perspective) do not differentiate between local and foreign investment; to them a generator built overseas is worth the same to the company as a generator built locally. The consequences for a nation as a whole may be very different.

Popular wisdom holds that 'generals always fight the last war'. Less snappy, but nonetheless true, is: 'Policymakers prefer to respond to economic structures that are proven by deep historical evidence'.

There is clear evidence of 'sectoral stagnation' in the capacity of manufacturing investment to drive growth. This trend is increasing, potentially due to the 'hollowing out' of secondary industries. Japanese economic expansion now responds strongly to service-sector investment; there is no longer any growth motive for depreciation of the yen.

The industrial structure of Japan has changed. Policies that delivered growth in the 'bubble' years cannot do so in 2010. Policymakers should focus on the next war, rather than the last.



Luke Meehan is the Australia-Japan Business Cooperation Committee PhD Scholar in Economics at Crawford School, ANU College of Asia and the Pacific.

Turn back the clock

What can be done to improve education outcomes for young women? How about putting them in same-sex classes, writes ANU Public Policy Fellow Professor Alison Booth.





Professor Alison Booth is an ANU Public Policy Fellow in Crawford School of Public Policy. She is also the author of three novels: *Stillwater Creek*, *The Indigo Sky* and *A Distant Land*.

Sometimes we have to take what may look like a step backwards in order to take two steps forward. This is as true in life as it is in the development of effective public policy.

But even if you agree with that statement you might find it harder to agree with me if I told you that one way to take a step forward and increase positive educational outcomes for young women would be to ditch co-ed classes, and instead put them in all-female groups.

Yet the evidence is gathering that women in single-gender classes benefit, and they benefit significantly.

In the US, policymakers have begun to listen to advocates of single-sex education and to allow expansion of publicly funded single-sex schools. In 2006, the US Federal Government allowed districts to create single-sex schools and have single-sex classes in publicly funded schools. According to the National Association for Single Sex Public Education (NASSPE), in 2002 there were only about a dozen US public schools offering single-sex classes but by 2010 there were 540, of which 91 were all-girl or all-boy schools.

Single-sex education is an area that generates great controversy. A recent paper in *Science*, entitled 'The Pseudoscience of Single-Sex Schooling' (September 2011), claimed 'No study has properly identified the effect of single-sex environments due to endogeneity factors'. This produced animated responses from researchers claiming the reverse in the same publication the following January.

Some argue that single-sex education increases gender stereotyping and legitimises institutional sexism. However proponents of single-sex education argue that women do better in single-sex classes for some subjects; for instance in maths, a subject with a gender gap (top of distribution). The presumption is that better grades will translate into better outcomes later.

I conducted with colleagues two sets of experiments designed to estimate the impact of single-sex and co-educational schooling on risk attitudes and final exam scores.

For the first set of experiments, our subjects were 260 adolescents (years 10 and 11) from publicly-funded single-sex and co-educational schools in Essex and Suffolk counties, whose average age was just under 15. We examined the effect on risk preferences of two types of environment—schooling (single-sex or co-educational); and randomly assigned experimental peer-groups (single-sex or co-ed).

Women in all-female classes are much more likely to gain a higher degree score and to get a higher-classification degree.

We measured risk by asking girls and boys to choose between Option One, where they were guaranteed £5, and Option Two, where they flip a coin and get £11 if the coin came up heads or just £2 if the coin came up tails.

The results were enlightening. Girls in co-ed schools chose to enter the lottery less than co-ed boys. But girls randomly assigned to the all-girl group for the experiment were more likely to enter the lottery than their co-ed counterparts. Girls from single-sex schools were also more likely to choose the lottery. Indeed, they were as likely to choose the lottery as boys from either co-ed or single-sex schools. Thus gender differences in risk attitudes are sensitive to whether the girl attends a single-sex school, as well as whether she was randomly assigned to a single-sex class for the experiment.

Keen to test this further, we designed a second experiment in which there was random assignment to single-sex and co-ed classes. This was a novel approach for two reasons: first, the random assignment ensured that selection is not an issue; second, in contrast to previous studies that have focused only on single-sex education in primary and secondary schools, our experiment was conducted at a university.

In this experiment, first-year undergrads registered for *Introduction to Economics* at the University of Essex were randomly assigned to small classes (co-ed or single-sex) that were run in tandem with the lecture course for the full year.

In the first class, students completed a cognitive ability test and a sophisticated risk questionnaire. Eight weeks later students completed a second risk questionnaire. Our main interest was in seeing if women assigned to single-sex classes take more risks than the co-ed women.

To ensure a clear outcome we controlled for cognitive ability and for personality type.

Again, the results were striking. On average females were significantly less likely to make risky choices. But women assigned to all-female classes made more risky choices in session two than their co-ed counterparts. They also made slightly more risky choices than men—regardless of whether the men are in co-ed or all-male classes.

So why did this happen? Possible reasons are that the all-girl class effect might include a reduction in stereotype effects where women inhibited by culturally-driven norms about the appropriate mode of female behaviour—avoiding risk—find it easier to make riskier choices once placed in an all-female environment.

Another idea is that being placed in an all-female group facilitates the formation of friendships within a faculty environment that is disproportionately male. These friendships may enhance the confidence of these women and facilitate the formation of networks, leading them to feel more comfortable in making risky choices than women in co-ed classes.

As part of this experiment, we also looked at the effect of single-sex first-year classes on long-term outcomes—specifically final exam scores and degree classifications—of this group of students.

Once again, the results were stark. We found that one-hour a week of single-sex education benefits females. Women in all-female classes were much more likely than their counterparts in co-ed classes to gain a higher degree score and to get a higher-classification degree, while men were unaffected.

Females alone appear to benefit from single-gender classes and they benefit significantly. Women in all-female classes are much more likely to gain a higher degree score and to get a higher-classification degree.

Our results provide a compelling picture of the effect of single-gender classes on important educational outcomes.

These findings have policy implications for co-educational universities keen to improve outcomes for female students, who may benefit from being placed in all-female classes for the more technical subjects.

Resurrecting the concept of same-sex classes may feel like taking a policy step backwards. But wouldn't that be a step worth taking if it also offers the potential to take a great stride forward?





Landlocked

The expanses of the Internet that were once thought limitless are in fact crowded and running out of space. So why hasn't the region connected to the Next Generation Internet, asks Liv Coleman.

Like a city suburban sprawl that suddenly and permanently stops as it runs out of available land, the world's web users are about to discover that there are limits to endless growth.

That's because the Internet is about to run out of addresses, the numbers that uniquely connect computers and devices to the Internet.

It's a challenge unprecedented in the Internet's 30-year history, with the Asia-Pacific region most deeply affected by the looming shortage. Its huge population and emerging markets fuel demand for Internet access and innovative solutions.

Although it's ingrained in almost every facet of our lives, the Internet most of us use today is a prototype technology that was never designed to be the world's premiere global communications infrastructure. It was designed with space for 4.3 billion addresses—a number that can't meet global demand. The growth of Internet-enabled computers, mobile phones and devices means that many people today need multiple Internet addresses. First to feel the pinch was the Asia-Pacific Regional Internet Registry, which exhausted all of its addresses as far back as April 2011.

The good news is that Asia-Pacific policymakers can help speed the transition to the Next Generation Internet, a new version of the Internet with a nearly infinite address space. Also known as Internet Protocol Version 6 (IPv6), this Next Generation Internet was created by a transnational group of technical experts in the Internet Engineering Task Force to ensure the Net's continued growth. Now that everyone agrees on the new protocols, the challenge is getting all Internet service providers on board to take the leap and make the switch—something that policymakers can nudge them toward.

The bad news is that although the new protocols were developed in the mid-1990s, many Internet service providers have not made the switch, procrastinating with stopgap solutions that come at a price.

Because the Next Generation Internet is not backward compatible with the previous one, Internet protocol version 4 (IPv4), many Internet service providers have employed a temporary fix that connects the two with costly patches that degrade service quality. The Internet was not designed to allow for this kind of patchwork between information senders and receivers, so some applications such as iTunes, Skype and Google Maps run poorly, or not at all.

Lacking a clear business case for immediate return-on-investment, Internet service providers continue to trudge along with the patches. As Internet address shortages intensify, however, Internet access will become more costly for end users. IPv4 address transfer markets will ease some of the pain, but ultimately merely delay the inevitable transition and hold back the potential for innovation that comes with the Next Generation Internet protocols.

The much-heralded 'Internet of things', in particular, will simply not be possible without upgrading to IPv6. With innovations in machine-to-machine communications in energy, banking, and health care sectors, technology companies need an expanded Internet address space to make the most of the Internet revolution. New opportunities for early earthquake warning systems along the Pacific Rim, too, would be easier with inter-networked sensors in the numbers only possible with IPv6's big address space.



Dr Liv Coleman is an Assistant Professor at the University of Tampa. This piece is based on her article for *Asia & the Pacific Policy Studies*.

Read the article at: <http://bit.ly/Colemaninternet>

While Asia-Pacific governments have created IPv6 promotion plans, much work remains to be done. Japan, China, and India, for example, have all rolled out their own national initiatives to promote Next Generation Internet, but with varying results—none yet especially good.

Japan's IPv6 program, developed to champion globally-competitive national technology companies, has had the strongest results of these three countries—based on the country's pre-existing state capacity and highly-developed knowledge economy. But Japan still has a long way to go. Internet scientist Geoff Huston recently estimated that their IPv6 use-rate stands around a meagre five per cent. China and India have use-rates estimated at less than one per cent. They stand to gain the most from rapid adoption of IPv6, however, as emerging economies with large populations still yet to connect to the Internet.

Asia-Pacific governments can take several steps to promote adoption of Next Generation Internet protocols. As major purchasers of technology, governments can mandate IPv6 compliance in procurement policies. They can provide financial incentives for upgrading to IPv6. They can build capacity by training network operators in how to deploy the next generation protocols. They can publicise IPv6 uptake rates on government websites to create a competitive dynamic among Internet service providers and create awareness. Countries without sufficient domestic technical expertise can seek outside help from the Asia-Pacific Network Information Centre (APNIC), the International Telecommunications Union, and the Internet Engineering Task Force.

It's a challenge unprecedented in the Internet's 30-year history, with the Asia-Pacific region most deeply affected by the looming shortage.

Effecting a global transition to the Next Generation Internet is a paramount challenge for the Internet's future growth and development in the coming years. To preserve the Internet's design principles and ensure that Internet access costs remain low, Asia-Pacific governments have a role to play in helping Internet service providers realise their self-interest in deploying the Next Generation Internet protocols.

It would be good not only for innovation potential in Asia-Pacific national economies, but also for the scalability and sustainability of the Internet itself as the global communications architecture.





Black gold

What does oil abundance mean for the United States and its foreign policy? Llewelyn Hughes reports.

Satellite pictures of North Dakota at night highlight the transformation hydraulic fracturing—or fracking—brings to regions of the United States. Methane flares from thousands of drilling rigs make some parts of the rural north look like an urban centre, rather than an agricultural state.

The rise of unconventional oil production has already had big effects on regional economies. In North Dakota, home to a large share of the Bakken shale formation, employment in the oil sector has increased from 3,000 to 33,000 over the last decade.

Its effects are being felt more widely. The doubling of active rotary drilling rigs since the beginning of 2011 also reflects activity in Philadelphia—where the oil industry was born—as well as the traditional oil states of Oklahoma and Texas, which have seen oil production spike as a result. US oil production

has grown by almost 2.5 million barrels a day between 2008 and 2013, equivalent to adding another Venezuela to global oil supplies over the same period.

What, though, are the global implications of this new era of US oil abundance?

The first is economic. Rising oil production has helped to make up for falls in Iran, Libya, Syria, and the North Sea. While it's difficult to estimate its precise effects on final prices, this undoubtedly puts downward pressure on the price of oil, and ultimately what consumers pay for gasoline and other products. That's important given that oil is going to be with us for decades to come, despite the inroads made by companies like Nissan and Tesla in increasing the marketability of electric vehicles. It also cuts import bills for countries like Japan, which is struggling through increased oil import costs in the wake of the 2011 Fukushima disaster.



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Downward pressure on oil prices also matters for countries that rely on oil for a large share of the budget. Estimates show that the fiscal break-even point—defined as the oil price required to balance the budget—varies widely across oil producers.

The Institute of International Finance finds that Kuwait's break-even point, for example, stood at \$52 a barrel in 2013. In Iran, on the other hand, it was \$145. Algeria, Russia, Iraq, and Libya all also lie above \$100. A sustained fall in oil prices puts pressure on the fiscal position of these states. Indeed, the reality of falling oil prices is already straining coordination among members of Organization of Petroleum Exporting Countries (OPEC), with some members calling for production cutbacks in order to sustain higher prices.

Perhaps the biggest question, though, is what this shift to oil abundance means for US foreign policy. Historically, oil import dependence has been a central driver of US diplomatic, and military, involvement in the Middle East. In the wake of the Iranian Revolution and shut-in of Iranian oil production in 1979, President Carter's argued control over oil in the Persian Gulf was of crucial national interest to the United States. Presidents routinely refer to the risks of energy import dependence in the State of the Union address made annually to Congress. The United States continues to ban most crude oil exports—though not products—on security grounds, despite its free trade doctrine.

There are at least three reasons, though, why the change in the balance of oil trade might not add up to much in terms of changing US foreign and security policy.

The first relates to the structure of the global oil market. Oil can be considered to be traded on a global market, despite infrastructure bottlenecks. This exposes the United States to price shocks regardless of the amount it exports or imports. Pointing out ongoing risks in the global oil market is also useful for a broad range of political interests, from manufacturers who are benefiting from cheaper product prices relative to their competitors in Europe, to the small oil producing firms that dominate the US landscape. And that is not going to change.

Historically, oil import dependence has been a central driver of US diplomatic, and military, involvement in the Middle East.

Secondly, interventionism remains the default position of US foreign policy elites. There is an active and vocal group that argues the US should be less interventionist, in part because the oil market doesn't justify widespread military commitments in the Middle East and elsewhere. But they remain relegated to think tanks and universities. Instead, the dominant view is that a forward military presence is the best strategy for the US, regardless of oil market gyrations.

Thirdly, while oil got the US into the Middle East, it now has a wider range of interests there. Identifying the marginal contribution of oil imports in US interests, relative to factors like protecting Israel and combatting terrorism, is hard. But there is some evidence that energy independence matters only to a subset of policymakers. For others, it is not a big deal, and any change in the balance of oil trade is unlikely to persuade them the US should change its foreign and security policy.

So while rising US oil production matters because of its redistributive effects within and among countries, the new era of energy independence is unlikely to lead to a big shift in US security policy, regardless of how important oil has been in shaping it in the past.

Listen to an audio interview of Llewelyn Hughes discussing the new era of US oil abundance at <http://bit.ly/Hughesoil>



Democracy's last dance

A troubled democratic system means our politicians struggle to galvanise the public. It also means we may never see the like of Gough Whitlam's leadership again, writes Ian Marsh.



In praising Gough Whitlam's achievements, his boldness and courage in policy innovation has been almost universally acknowledged. Commentators have also drawn an invidious contrast with his recent successors.

Whereas for Whitlam, the 'program' was a bible that defined his work in office and kept faith with the electorate, his successors seem to regard promise breaking, or at best promise fudging, as of little consequence. Neither their own credibility nor the public's trust in politics seem to count.

Moreover, the Whitlam legacy is praised for its long shadow. His education, environment, Indigenous rights, urban and other major agendas initiated much-needed social transformation. Beyond the economic changes effected (largely with bipartisan support) by the Hawke-Keating government, it is hard to think of contemporary parallels.

There can be no doubting Whitlam's courage or boldness. But these deserved assessments also gloss one very important fact—the political infrastructure that gave Whitlam a platform for developing his program and projecting it to the Australian people.

The celebrated 'it's time' campaign was the culmination of nearly a decade of policy development and promotion—from party conference to party conference, through branch and regional meetings and through numerous public speeches and media engagements.

This infrastructure has completely disappeared. No contemporary party leader has parallel fora available. The major political parties are now hollowed out shells of their former selves.

By contrast, the processes in which Whitlam engaged might be imagined like a snowball—interest and later public opinion was engaged and mobilised progressively, largely through party institutions and party processes.

The demise of major party organisations was accompanied by the demise of this strategic infrastructure. The present system basically lacks strategic capability. The major exception was John

Howard's promotion of the GST. The few other significant strategic policy changes in recent years (like NDIS, plain cigarette packaging) have involved bipartisanship—with little attempt to build initiatives on and from a supporting base in public opinion.

One important symptom of this collapse in systemic capacities is the tyranny of sound bites and of the 24-hour news cycle. Short of bipartisanship, this robs the overall system of any capacity to build supporting public constituencies for major change. The recent record is of a system that is largely gridlocked. Short of crisis, political leaders are trapped in a short-term cage.

Political leaders must sometimes confront their publics. But mostly they need to work with the grain of public opinion. They now have very limited capacities to lead its development. Think of the farce that is climate change policy, or the race to the bottom on refugee strategies, or the on-again/off-again 'leaners and lifters' framing of the budget crisis.

In their great days, the major parties made three great contributions to longer-term public policy. First, they espoused platforms that gave significantly different 'directional' orientations to public policy. Second, they created internal processes through which medium-term implementing strategies could be debated, contested and ultimately perhaps adopted. Gough Whitlam's efforts to change Labor's platform and program are a prime example.

Third, the major parties between them attracted the rusted on loyalty of large segments of the Australian electorate. Around 90 per cent of us voted for them at elections and around 10 per cent of us belonged to one or other of the major parties. Thus the major party brand was a powerful cue for voter opinions.

The social movements of the 1970s fractured this binary divide. Social class, the sheet anchor of the mass party moment, was superseded by the politicisation of a range of new identities—women, gay, indigenous Australians, multiculturalism, animal welfare, consumer interests and so on. Gough Whitlam initiated many of these new framings.



Professor Ian Marsh is a visiting fellow at the Regulatory Institutions Network, ANU College of Asia and the Pacific. He is co-author of *Democratic Decline and Democratic Renewal: Political Change in Britain, Australia and New Zealand*.

There are now no overarching ideologies to provide clear and different orientations to the major parties.

The result was a positive pluralisation of the Australian community and a further weakening of the major party organisations. But in the process the underlying capacities of the policy-making system were substantially weakened. These capacities have never been rebuilt.

The present system is propped up by inertia, by the impressive theatre of the formal institutions of state power — parliament, government, the monopoly of violence and the power of peace and war. At elections, the public is now mostly offered opportunistic, fake or manufactured ‘black and white’ choices.

This whole charade is largely sustained by a sleight of hand. Public funding is the major lubricant of election campaigns, staff entitlements are the major source of party resources, and MP entitlements cover their printing, travel, mail outs, electronic engagement and so forth.

The distance between the formal system and its publics is palpable. Public disaffection is at record levels. The rise of minor parties and independents is symptomatic of a system at odds with itself.

What is to be done? One remedy can be instantly ruled out. There can be no going back to the mass

party era. Australian society is now happily too pluralised and differentiated to be contained within two mass organisations. Equally, there are now no overarching ideologies to provide clear and different orientations to the major parties. Think of their internal divisions on climate change, marriage equality, refugee strategies, live cattle exports, euthanasia and so on.

As the above list suggests, the real focus of disagreement is around particular issues. Thus the challenge is to create authoritative political infrastructure through which a serial public conversation about major emerging issues could be staged.

This infrastructure would need to allow widespread engagement and should involve coalition building. In a more pluralised society coalition building is the only strategy that can deliver the necessary momentum and weight to an issue. It is the only strategy that can counter short-termism. In mobilising the putative ‘winners’ as well as those whose stakes are unclear, it is also the only strategy that can counter the inevitable hostility of those negatively affected by any major decision.

This process must occur in a politically authoritative setting and before final decisions are taken by the executive. Independent enquiries may have a role but they are insufficiently ‘political’ to meet these needs. The challenge is rather to parliamentary procedures and processes.

But for this to happen the present incumbent elites would need to acknowledge that they need additional strategic capacity. They would need to acknowledge that the gap between the formal policy-making system and the public is the central contemporary fault-line.

Bold and courageous leadership builds on some essential background conditions. Until the present gap in present capabilities is acknowledged, we cannot expect to see new Gough Whitlams. In the 21st century, Australia needs a new political system for the more pluralised society that Whitlam did so much to father.



Policy cures

Asia and the Pacific Policy Society Fellow Tikki Pang is bringing policymakers and medical professionals together to tackle one of the region's most serious health challenges. By Belinda Thompson.

Guiding policies that can mean the difference between life and death for millions of people worldwide is a burden Professor Tikki Pang is happy to shoulder.

The renowned academic and former Director of the World Health Organization's (WHO) Research Policy and Cooperation Department has forged a new bridge between research and policy-making, uniting some of the brightest minds from both worlds in countries as diverse as Burkina Faso and Afghanistan.

The Asia and the Pacific Policy Society Fellow is now working both as a visiting professor and adviser to the WHO. His current focus is on bringing researchers and policymakers together to defeat dengue fever with the development of a promising new vaccine.

"I am very excited. It is the Higgs Boson of public health," Pang says.

"When you compare it to HIV, TB, and now Ebola, dengue is one of the biggest neglected infectious diseases. Dengue is a far bigger problem in many countries; it is debilitating, for two to three weeks to the point that you can't function."

Even though they are tackling the same problem, Pang says researchers and policymakers tend to ask different sets of questions.

"Researchers ask: Does it work? Is the vaccine safe? Is it going to be used in the right age group?"

"But the policy constraints are just as important, if not more important. Is the vaccine effective in reducing the number of cases? Is it cost-effective? Can the country afford it? Will people accept it?"

"Scientists can be convinced of the value of the vaccine but not aware of all these other issues

which really determine its success at the public health level.

"It is a clear example of where both policymakers and academics need a more holistic approach to solving a problem."

For Pang, the move from academia to a role spanning both research and policy-making was a gradual path.

"After I finished my PhD I was on the typical track for an academic: teaching, researching, advising," Pang says.

"After 22 years I began to get a bit disillusioned. I publish 10 papers a year; so what? There's got to be more to it than this. Because of my research on dengue fever I began to get invited to the WHO. This is an organisation which was not just publishing new papers, but using that information to improve health. That was the 'Eureka' moment.

"The professional highlight of my career has been working with the World Health Organization. It has been such an exciting experience, moving from academia to work for an international organisation that has the very noble mission of improving the health of poor people across the globe. It is idealistic and perhaps somewhat naive.

"Still, I am a passionate believer in the WHO and multilateral organisations as a whole."

Throughout his career, Pang has worked on health issues that most deeply affect developing countries, where data and resources are often scarce.

"It's fine to say we need to make policy based on evidence. All policymakers want to make good policy; the problem is in many countries there isn't any evidence that can be used to inform policy-making, or the evidence is of poor quality," he says.



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“What they really want is evidence from a local context. If they want to use a malaria treatment in Burkina Faso, for example, they ask what research has been done in Burkina Faso; they don't really care about research in other countries. That evidence is often missing because there is no funding nor capacity for the necessary research. These are the realities.

“Policymakers may be interested in a national health problem which academics just can't get funding for. HIV/AIDS, TB, malaria; lots of money is used there but they may not be the most urgent national priorities. It's a real catch-22; the policymakers want the evidence but there's not the money to fund the research.”

But while they may be working for the same noble outcomes, success is far from assured. Pang believes a combination of good intentions getting lost in translation and the distrust between academics and policymakers play a significant part in creating the gap between policymakers and academics.

He says the solution is improving trust between the two.

“Policymakers suspect academics are meeting with them because they want money for research; academics suspect that if their results don't fit the policymaker's priorities they will just be ignored,” he says.

“Policymakers and academics speak different languages. Academics are sometimes dismissive of any attempt to ‘dumb down’ and simplify the message into language that can be used by policymakers. However, policymakers want to understand not just the evidence but what the policy implications and options are.

“But it also works the other way. Policymakers are responsible for making their problem understandable to the researchers; they need to work with people who can distil their problem into doable research questions that academics can then try to address.”

Pang argues the difference between the two career paths comes down to an understanding of what PPP stands for.

“In academia, the three Ps are publications, professorships, patents. After years at the WHO, I began to see another type of three Ps, which are the worldview of policy-making: people, policy and practice,” he says.

Policymakers suspect academics are meeting with them because they want money for research; academics suspect that if their results don't fit the policymaker's priorities they will just be ignored.

“Then there's the know-do gap; what we know versus what we actually do. My hope is that more and more people will be able to bridge that gap in some way, be able to understand the needs and priorities of both sides and develop strategies for bridging that know-do gap.”

For those who would like to follow Pang's path, he counsels keeping academic doors open.

“It is nearly 40 years since I did my PhD at ANU,” he says.

“I am an academic at heart, and will be until the day I die. I advise students to try and get into a research area with a PhD that is not purely theoretical and conceptual; look for something which has policy-making implications and repercussions. Get your hands dirty.

“Don't go straight into policy-making after your PhD; establish your credentials first, your reputation as a good researcher in your area. Establish yourself and don't think about making that move to the policy arena too early.

“Try to maintain your academic visibility; it's hard to do. I made a conscious decision to maintain my links with ex-colleagues and continue to publish papers. Continue to go to conferences.

“And always remember that your work can make a difference.”



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