



**THE HON RICHARD MARLES MP
SHADOW MINISTER FOR DEFENCE
MEMBER FOR CORIO**

**E&OE TRANSCRIPT
PYNE & MARLES
SKY NEWS LIVE
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SUBJECTS: Defence, G20

CHRISTOPHER PYNE: Well, good afternoon and welcome to *Pyne & Marles* here on Sky News Live. It's Friday, July 7. I'm Christopher Pyne and I'm here in Adelaide and my colleague on the show is Richard Marles and he's in Melbourne. Good afternoon, Richard.

RICHARD MARLES: Good afternoon Christopher - you're well?

PYNE: Yeah, I'm very well, I'm having a good week. I spent Wednesday announcing the \$600 million upgrade of the Wedgetail aircraft, which as you know is a radar communications and battle management control airborne system, probably the most sophisticated, in fact it is the most sophisticated, in the world and we need to keep it at that point so we're investing in that, just continuing the good work we're doing in Defence and Defence Industry. What about you - what have you been up to?

MARLES: Well, good to know that you're well. I've been doing Defence things, which won't surprise you given my role. I was at Garden Island during the week, and next week I'm at *Talisman Sabre*, which is the big exercise that the Australian Defence Force does with the Americans every two years. It's based in and around Queensland, so I'll be spending next week in Rockhampton as part of that and it should be a really exciting demonstration of what the ADF has to offer. Will I be seeing you up there Christopher?

PYNE: No, unfortunately I don't have time to go on manoeuvres with the Defence Forces. I will be getting the chance, I think, at some point to spend some time on a submarine off Western Australia this year. That is being planned so I can see how our submariners perform, which will be very exciting. Of course, I've had lots to do with the launches of various of the platforms that I've currently got the carriage of their delivery for capability. It's a very exciting time to be in Defence and Defence Industry and you have a great time on *Talisman Sabre*, no doubt. Just make sure

that you stay safe and nothing bad happens to you. I'd hate there to be a by-election in Corio.

MARLES: Well I will do my best to stay out of trouble, but we should continue with the show.

There's a lot in the national security, international security, space that we will be talking about today and most particularly, North Korea, the test of the intercontinental ballistic missile by the North Koreans in the last seven days has been dominating the news, not just in Australia but around the world. We're going to have a chat about that.

Essential to that in terms of the next couple of days will be the meeting of the G20 in Germany. We're going to have a talk about the G20 and what it does quite apart from the question of North Korea.

During the week we also had the news that GFG, a British company has bought Arrium Steel, which is great news for those steel workers in Whyalla and we'll be having a bit of a chat about what the outcome of all of that is.

Firstly, North Korea. It is really the issue which is dominating news around the world as we speak. Take a look at this.

MALCOLM TURNBULL [CLIP]: The actions by the North Korean regime are illegal, they are dangerous, they're a provocation, and they've been escalating them.

DONALD TRUMP [CLIP]: I don't like to talk about what I have planned, but I have some pretty severe things that we're thinking about.

NIKKI HALEY [CLIP]: One of our capabilities lies with our considerable military forces. We will use them if we must.

TURNBULL [CLIP]: China has the greatest leverage, and of course we urge China to bring more pressure to bear on North Korea to bring that regime to its senses.

MARLES: Well, let's start with the Prime Minister's comments, because he correctly makes the point that what has been happening with the North Korean tests is in breach of international law, it's in breach of UN Security Council Resolutions, and obviously is totally deserving of the condemnation of the world and our condemnation here and that's been given in a very bipartisan way.

I think the second point is that China is in a particular position to influence North Korea. Not in a determinative position, but the most significant relationship that North Korea has and it does place China in a special position. I think China do want to act and we have seen them raise real concerns about North Korea. I don't think North Korea is making life at all easy for the Chinese, but that said China has increased its imports from North Korea this year, a point I've been making for some time, and so China clearly can do more.

The Americans are presenting a harder edge to North Korea. That's a good thing, but at the same time I'm mindful of what Secretary of Defence Mattis has said, that a war on the Korean Peninsula would be on a scale we have not seen in our life time, so we should not be doing anything which brings us down that path.

That brings us home here - we need to have a considered and sober reaction to all of this. I don't think we should be seeing kites being flown by acting prime ministers. We need to make sure we have a coherent message which is about bringing us to a resolution.

PYNE: Well, Richard you and I have been saying for some time that of all the various conflagrations in the world right now which we've commented on the most dangerous is North Korea and we're seeing that being played out right now. It's not a game and it's fortunate that we have people like Jim Mattis as the Defence Secretary in the United States, and others around the world and here in Australia are sensible people like Julie Bishop as Foreign Minister and Marise as Defence Minister of course and Malcom as the PM, and it is a bipartisan issue, but we wouldn't want to underestimate just how dangerous Kim Jong-un is to the peace of the world, peace of North Asia, in particular, and these are significant allies of ours, in Japan and in South Korea, are really very much in the eye of the storm, and what we've seen this week is the potential for Australia to be in the eye of the storm as well, so I'm looking forward to our chat with Euan later in the show from the Lowy Institute because of course he is an expert in this area.

Also this week, right now, in fact, is the discussions of the G20 in Hamburg. We've seen the Prime Minister appearing there meeting with like Angela Merkel and he'll meet with others while he's there. It's obviously a very important meeting. We went there with Malcom intending to talk about the internet and the capacity for us to have more control over it, but let's have a look at what a few people have had to say.

MALCOLM TURNBULL [CLIP]: I believe there is a strong, common commitment to collaborate more, to engage more, to cooperate more in the fight against terrorism. We obviously have a great deal to discuss about trade to ensure that we maintain free and open markets.

DAVID SPEERS [CLIP]: Not long after I spoke to you one glass bottle smashed just a couple of metres away from my feet, so there were clearly some still keen to target- it was when a column of riot police were in formation walking through.

PYNE: Well, Richard of course we went to the G20 with one of the important business being the discussion around the internet and Facebook and Twitter and how countries like Australia can be engaged internationally to try and have more control over how the terrorists are using the internet against the very people who created it for good, and that's a very important topic of conversation, but also we've now had the situation of North Korea where that, I think, will dominate discussion for the G20. It's still a very important forum, the G20, and we saw Shinzo Abe, the Japanese Prime Minister, signing trade agreements while he has been there, affirming Japan's commitment to free trade, and so from an economic point of view and a national security point of view it still really is the preeminent forum and Australia is happy to be at the table.

MARLES: The G20 really came into prominence during the global financial crisis, and the global economy is being central to its agenda and it will be central to this meeting, but I think, increasingly it's becoming part of a sign of our international personality that we are a G20 member and it's very much in our national interest that the G20 continues to grow in significance.

I think the way to see the G20 is it's really the traditional major economies of the G7 meeting the BRIC's economies, the emerging economies of the world, and we're right in the centre of that and so on the agenda of this meeting, obviously North Korea will be spoken about, you've spoken about the internet and the potential for cybercrime and cyber-attacks, but questions around refugees, questions around counter terrorism, questions around the sustainable economic future post-Paris - all of these are going to be issues that are raised at the G20 and it is going to be a very important meeting.

I should also say it's the first G20 meeting with Donald Trump there and will therefore be the first meeting between Putin and Donald Trump, and it'll be a fascinating meeting to be at - but we should keep going.

The news this week that GFG, a British company, has purchased Arrium Steel, is obviously good news for the country and particularly people in Whyalla. Take a look at this.

JAY WETHERILL [CLIP]: It's fantastic news.

SCOTT MORRISON [CLIP]: It's great news, and it's a tribute to the way I think everybody has worked together.

NICK XENOPHON [CLIP]: This news that the GFG group is taking over Arrium is great news for South Australia.

WETHERILL [CLIP]: We now know that there is a period of intense negotiations that will need to occur.

MORRISON [CLIP]: The next steps are of course the approvals of the creditors, but also the Foreign Investment Review Board process, which will move speedily.

MARLES: Well, everyone, Christopher, is referring to this as great news and of course it is. I represent an industrial area and I know how concerning it is when there is the prospect of entities like this going out of business. I think more than 3,000 people are directly employed by Arrium in Whyalla itself, so it's a huge part of that local economy and a huge part of the South Australian economy.

I would say against a backdrop of pretty bleak industrial news since the Abbott-Turnbull government came into power, this is one piece of good news and why it is so important not only for that region but also for the country is it means that we retain the capability of manufacturing steel in this country. We've lost so much industrial capability over the last four years that it's really important that we're able to keep this

particular capability within the country, and there is a lot of water to go under the bridge in terms of making this work, but this is certainly a very optimistic moment in terms of the future of the steel industry in Australia.

PYNE: Well, of course, Richard the premise of most of your comments is wrong, because manufacturing is actually growing in Australia under the Turnbull Government and previously under the Abbott Government, so it's just political rhetoric. The truth is this is good news for Arrium, very good news for Whyalla, good news for the steel industry. It confirms that there are corporations like GFG that see a future in steel manufacturing in Australia because of many of the policies of the Turnbull Government. When I was the Minister for Industry I was fortunate to be able to provide a contract, announce an investment in the Tarcoola to Adelaide rail line which was worth \$70 million dollars to Arrium, and also make some decisions around steel imports that supported the company and the government went to the election with a policy to invest in equipment at Whyalla and Arrium that supported the company, so this has been a co-operative outcome for the Federal Government and Arrium and their administrators. It's very good news for the people of Whyalla and continues the good growth and the future in manufacturing in South Australia and in Australia, so it is very good news and we shouldn't play politics with it, so I'm disappointed you did but nevertheless we'll move into the break and the we'll come out of the break and talk to the Lowy Institute

[BREAK]

PYNE: Well, welcome back to *Pyne & Marles* here on Sky News Live. Today, of course, we're talking about North Korea. The whole world is focussed on North Korea and their activities, and we're fortunate to have as our guest the Director of International Programs at the Lowy Institute, Dr Euan Graham. Welcome to the program, Dr Graham. Thank you very much for joining us.

DR EUAN GRAHAM: Thank you. Pleasure to be here, Christopher.

PYNE: So my first question to you would be everyone's talking about China and how China should be influencing North Korea, and I think the question we should ask is: what is China's motivation for influencing North Korea, and if they were so motivated to do something, what could they conceivably do? What would be the suite of options available to them?

GRAHAM: Well, if China were to pick its allies, it probably wouldn't have picked North Korea as top of the list, but you have to work with what you've got. From North Korea's point of view it's still useful as an ally, to a certain extent, but its ability to control it is very limited. In fact, the bilateral relationship has been in the freezer for the duration of Kim Jong-un's period in office.

Donald Trump and his administration have said they want to work through China. They've expected China to lean in on North Korea, and there's been a certain amount of time that's been given to that, but the results, predictably, haven't shown that kind of moderation in behaviour for the very simple reason that the North Koreans don't want to play ball.

MARLES: Euan, we've heard some pretty significant rhetoric from a number of officials, particularly I'm thinking of the comments of Nikki Haley, the US Ambassador to the UN, about military options being on the table. How realistic do you think conflict on the Korean Peninsula is? Is this as a far-off prospect, or is it more real, and I guess what is the potential for Australia be drawn into that?

GRAHAM: OK, three points there, Richard, so let's take them quickly in order.

First of all, Ambassador Haley's comments - well, it's no surprising that US rhetoric has sharpened. If you like the game-changer effect is that North Korea is now able to directly threaten the US homeland. The only other countries that can do that with missiles are China and Russia, so North Korea is in a very elite club, if you like, and the problem is it doesn't behave the same way that those other two do. It's got far fewer resources, and that's the danger of North Korea, is that it escalates right from the beginning of any crisis.

That gets to your second question: how likely is conflict?

Now, I think the people in North Korea right up to the leader are rational, but there are clear risks involved the closer they get to this existential threat to the United States. I don't think the US is going to seriously undertake preventative or pre-emptive action. The costs are just too high, and most people in the field, including in the US Government, agree with that.

But there are other scenarios under which conflict could happen. If there were deterioration in internal order within North Korea, or if North Korea becomes emboldened with its new capabilities to actually up the ante conventionally and provoke Japan or provoke South Korea, that could also start a conflict.

That gets to your third question: what does it mean for Australia?

Well, Australia is a US ally, so we'd be top of the list for any demands from the United States, if there were an attack on South Korea, to come to South Korea's defence, but let's not forget Australia is also part of the United Nations command. We've been there since 1950. It's still in place, and we would have an important logistic role, of not combat role, and I think that's something that the Government needs to be thinking about now, and discussing, so that we have a range of options that are agreed now, and a bipartisan consensus which hopefully both of you could agree on, on what Australia is willing to provide.

PYNE: Well, fortunately on these national security defence issues, Labor and Liberal usually do have a bipartisan approach, and it's often about emphasis rather than commitment to principled actions.

Before we got to a point, Euan, where we were in any kind of conflict situation, which obviously we want to avoid, absolutely, what more do you think the Australian Government could be doing with either Japan or South Korea or China or the United States to ensure that we can resolve the issues before they go as far as you talked about, the potential for conflict?

GRAHAM: Well, that speaks to more than the defence functions. I've concentrated on that up until now, but clearly, of course, there is a diplomatic space. The hope is that that diplomatic space can deliver the kind of change in behaviour from North Korea. Personally, I'm sceptical of that, but the Prime Minister's already made clear that he expects China to do more.

It begins to get more tricky for Australia now, now that the United States is going to place – likely – secondary sanctions on Chinese entities, so it ceases to become purely about pressuring North Korea. It begins to get into the nitty-gritty of our bilateral relationship with China, and then of course the costs involved in that begin to escalate.

I think when it comes to the defence relationship, from my knowledge up until now all that Australia has really planned for is an evacuation of Australian citizens from South Korea. I think real work behind the scenes, but also involving Cabinet and the National Security Committee, needs to start thinking about what kind of assets we're willing to provide for the higher-end scenarios, God forbid should that come to pass.

MARLES: Euan, you described earlier North Korea as being a rational player, by which I assume you mean that it has a sense of its own self-interest. What do you think is North Korea's ultimate objective here?

GRAHAM: Survival, in a word. There's nothing that's changed from that. However, I think it goes a bit beyond that, and I think a lot of people say 'why doesn't the United States just accept reality, that North Korea is a nuclear state, do a deal, try and negotiate some sort of freeze and lock in strategic stability and rely on deterrence?'

The problem is I think North Koreans are actually more ambitious than that. They have a calculated interest in actually leveraging the alliances in the region, trying to create fissures and frictions between the South Koreans and the United States, between the Japanese and the United States, and that gets back to my fear that once they've got these nuclear weapons locked in they will feel much more emboldened to actually provoke at the conventional level.

MARLES: Well, I think that is absolutely right, and at the end of the day whilst survival one can understand, a North Korea with nuclear weapons ultimately represents a very destabilising dimension to security in North Asia, more regionally and indeed globally.

Euan, thank you very much for joining us today. We've really appreciated your insights. It's a huge issue facing the world, and no doubt we will be talking about it more into the future and we'd love to have you back.

GRAHAM: We'd like to have both of you speak at the Lowy Institute, too, so it's a reciprocal invitation.

PYNE: We might go together.

MARLES: Well, I'm certainly happy to do that, so Christopher and I will compare our diaries afterwards, but we really appreciate you joining us today.

And that does then bring us to the question of the week. Now, the question this week is: given we have an acting PM and an acting Opposition Leader, what is your most interesting experience in filling in for a colleague?

Acting for our colleagues is something which happens from time to time. Indeed, I think in a week or two I'm going to be acting about three shadow ministers, from foreign affairs to sport, so that will be fun.

Christopher, my most interesting moment was when I was actually parliamentary secretary. I was travelling to the UN with then-Prime Minister Julia Gillard back in 2012. She was addressing the General Assembly but got a tummy bug on the way over which had her laying low, all of which ultimately meant that I had to deliver her speech to the General Assembly of the United Nations, which was an absolute thrill.

Having said that, and there is a nice photo with the green marble behind and the UN insignia, I was about the most junior person who's ever delivered a speech of that kind, which meant I was put right down the bottom of the list. I think I must have delivered it late at night, probably at about midnight, and so what that photo does not tell is that in the audience were about three diplomats, all of whom were fast asleep as I was going through the Prime Minister's speech, but it was a thrill nonetheless.

PYNE: I'm sure it was a rousing address.

MARLES: What's your most interesting experience?

PYNE: I'm sure it was a rousing address Richard, and probably better given than when Kevin Rudd addressed the UN Assembly and half the people looked like they were asleep, and that was during the premier time of the speech-giving.

Well, I've obviously represented and acted for quite a few of the interesting portfolios in the security space, like Defence and Attorney-General, but the things that we do in those for our ministers when we're acting for them are things that I probably shouldn't talk about.

I've also acted for Michaelia Cash in Employment, which is a fascinating portfolio, fascinating part of the government, and so far, touch wood, there's never been a crisis while I've been acting for any of my colleagues, and I've been able just to simply hold the ring and make sure nothing particularly bad happened and get on with the job of signing their letters and keeping their submissions moving through so the business of government doesn't slow down.

I'm surprised to hear that you're acting in Sport in the next few weeks, Richard. Obviously you've got some hidden talents there that you haven't been demonstrating to us before.

MARLES: No hidden talents there at all, but I am definitely a sports fan, so Don Farrell, who is the Shadow Minister for Sport, I'll be having a look at what's on his agenda for that period of time and seeing what I can do to add.

I think keeping a steady ship while you're acting on behalf of your colleagues is the name of the game, not doing too much to take the ship in a different direction. Of course, the other thing is when you're on leave and you hear a big piece of news come up in your own portfolio you're always sort of thinking 'do I need to get back there?'

PYNE: It's true. Or sometimes you might like to stay away.

MARLES: Indeed. Sometimes you might want to stay away.

Anyway, we have run out of time today. Great talking to you again this afternoon, Christopher. Next week I won't be around, I'll be at *Talisman Sabre*, but *Pyne & Marles* will be, so join Christopher then on Sky News at 1 o'clock. We'll see you then.

ENDS

FRIDAY, 7 JULY 2017