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**E&OE TRANSCRIPT
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PYNE & MARLES
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SUBJECTS: Defence industry; Donald Trump; population; by-elections; retired politicians

CHRISTOPHER PYNE: Good afternoon and welcome to *Pyne & Marles*, here on Sky News Live. It's Friday, 20 July at 1pm Australian Eastern Standard Time. I'm Christopher Pyne and I'm here in Adelaide, and my co-presenter is in the Canberra studio this afternoon. Good afternoon, Richard.

RICHARD MARLES: Good afternoon, Christopher. Yes, I'm in Canberra. I'm sitting in the chair normally occupied by Kieran Gilbert in the morning, but Tom Connell's been replacing him. Tom has certainly made himself at home here. There's newspapers strewn around, banana skins, used teabags. It's like being back at uni here.

CHRISTOPHER PYNE: Well he's not nearly as anally retentive as you are, Richard, obviously.

RICHARD MARLES: He has made himself completely at home. I don't know what Kieran is going to make of it when he gets back from overseas - but you've been overseas, as have I.

CHRISTOPHER PYNE: Yes, and I was about to say welcome back from your overseas trip travel. In fact, we travelled together in Israel and then I went on to London for defence industry dialogues, and for the RAAF 100, and you went on to Sweden and Germany. Did you find the trip a useful one?

RICHARD MARLES: I did, and defence industry was the theme, although both of us participated in the strategic dialogue in Jerusalem, and you know, the Middle East is obviously a fascinating part of the world and shapes geopolitics, so it was good to get something of an update there, but the other really interesting thing about Israel, which I know you're aware of, is the defence industry there is genuinely remarkable and its story and the way in which it's also given rise a remarkable culture of innovation in Israel, is really something we can learn a lot from.

You know, going onto Sweden, which also has a strong defence industry, there's similar lessons to be learnt there, and Germany, you've made a couple decisions which involved very big German primes picking up a number of programs in Australia: Luerksen, Rheinmetall, got to meet both of them. How was your travel?

CHRISTOPHER PYNE: Well of course all of these big projects, like the Combat Reconnaissance Vehicles with Rheinmetall, the Offshore Patrol Vessels with Cvmec and Luerksen, of course Naval Group and the submarines, now Future Frigates with BAE in Britain, have a tremendous impact on the relationship between those countries and Australia. As you pointed out with Israel, the defence industry reaches right across the economy, in terms of the commercialisation of military applications, and of course in Israel they've taken that to an art form, and similar to the ambitions the Turnbull Government have, that I know you share, for how we can use the defence industry in Australia to drive our advanced manufacturing and sophisticated innovation part of our economy.

RICHARD MARLES: Yeah, look there's no doubt about that in Israel. It genuinely is something pretty remarkable to witness, but we should get on with the program.

Somebody else who has been travelling during the week is the President of the United States, and it's really dominated the news this week, is his visit to Europe, and Helsinki. We're going to have a chat about that. There's a lot of population news around: news that Australia will hit 25 million in population imminently; news that our immigration program, permanent migration program in the last financial year was in fact down by 10%, and Senator Dean Smith has called for Senate population inquiry, so we're going to talk about all of that. And of course the really big issue dominating the local political scene, the by-elections to be held on Saturday week, we'll be talking about that as well.

Peter Jennings, the Director of the Australian Strategic Policy Institute, he's our guest. We'll be talking to Peter about Donald Trump's visit, but let's start with that. Donald Trump was in Helsinki in a summit with Vladimir Putin. Have a look at this.

DONALD TRUMP [CLIP]: He just said it's not Russia. I will say this, I don't see any reason why it would be.

TRUMP [CLIP]: The sentence should have been 'I don't see any reason why I wouldn't', or 'why it wouldn't be Russia'. I have full faith in our intelligence agencies. Oops, they just turned off the lights. That must be the intelligence agencies.

JOURNALIST [CLIP]: Is Russia still targeting the US, Mr President?

ADVISER [CLIP]: Okay, Let's go. Make your way out.

JOURNALIST [CLIP]: No, you don't think that to be the case?

ADVISER : Let's go, we're finished here.

HOST [CLIP]: But you haven't condemned Putin specifically. Do you hold him personally responsible?

TRUMP [CLIP]: Well I would because he's in charge of the country.

RICHARD MARLES: Well Christopher, like you I am a strong supporter of our alliance with America because we have a shared values of democracy, human rights, the rule of law, but we also share an aspiration to build a global rules-based order, which liberal democracies around the world have been really working on since the Second World War.

I've got to say, I felt pretty uncomfortable when I looked at that press conference with President Trump and Vladimir Putin during the week and I definitely do not think that the European Union is a foe. I think liberal democracies working together is actually critically important in the world. They are the bastion of humans' rights of fairness, of liberty. What did you make of this week's events? it was really remarkable.

CHRISTOPHER PYNE: Well it was a tumultuous week in foreign policy, Richard, especially in the US-Russia relationship. I think the idea of a summit between Vladimir Putin and Donald Trump is a good one. You want Russia and the United States to be talking to each other. I think it was an error for Trump not to call out Putin on the MH17 criminal act. Particularly from an Australian point of view, we do take that very seriously, as does the Netherlands, and I think perhaps Donald Trump might have raised that. That would have been a good thing to do.

I would say from the Australian point of view though, we are pulling our weight in the NATO wider alliance. We are reaching 2per cent GDP by 2020, spending of defence and defence industry, and I do think the other NATO countries should support that as well. I mean my take out from that side of it was that Trump made it very clear that he doesn't want protectorates under the US alliance. He wants allies, and I think Australia is a genuine ally and other NATO countries should also be.

RICHARD MARLES: I think that point's fair enough, and I think the call from the Trump Administration for allies to pay their way in terms of defence spending is reasonable, and it has been an issue within NATO, and indeed previous presidents have been calling for NATO countries to spend more on defence, and you rightly point out that Australia is pulling our weight.

That said, alliances and America's system of alliances have been fundamental to its global success. I actually think that the global rules-based order, our alliance with the United States is critically important, but it's important to us that America has an alliance with Japan, with South Korea, and that America has an alliance with NATO and with Europe. It does worry me that we're seeing an American President describe the European Union as foes because I think that is moving in the completely wrong direction.

CHRISTOPHER PYNE: Well, Trump is unorthodox. I don't think anybody would disagree with that. He has an unorthodox approach to North Korea, but maybe that will mean the Korean peninsula will be denuclearised and that would a good outcome.

I think this week has been a salutary reminder to everyone that in foreign policy words are weapons-

RICHARD MARLES: -Totally.

CHRISTOPHER PYNE: -and he needs to be incredibly careful about what he says to the Russians and how to do that. I know that he was talking about, he meant there was no collusion with the Russians in the election, but he used the word meddling. You know, he's admitted he needed to change.

We need to move onto the next subject, which is population growth, which has been in the news this week. Let's have a look at how that unfolded.

DEAN SMITH [CLIP]: Population issues and immigration issues are important enough to have a national discussion, to have a national conversation.

BILL SHORTEN [CLIP]: Why are you asleep at the wheel, Mr Turnbull when it comes to the profusion and the explosion of the number of people with temporary work visas coming to Australia? There's now 1.6 million people who have temporary visas which give them work rights.

MALCOLM TURNBULL [CLIP]: We should not take one more person into Australia as an immigrant that we either, other than those that we need or we want.

CHRISTOPHER PYNE: Well Richard this migration debate and population debate has been going on ever since I was elected 25 years ago, and it's very interesting because it's variegating around the country. People in Sydney, and I'm sure Melbourne, have quite a different view to the growth of the population than people, for example in Adelaide, or Hobart, or the Northern Territory, or North Queensland and where they welcome more migrants at a growing population. So it's a tricky, thorny issue for governments, and what we saw this week is the Government focussing on the kinds of people coming to Australia, rather than the total numbers, and I think releasing that information indicated that we are trying to make sure that the people who come to Australia are as many skilled migrants as possible so that they can add to our economy, rather than the period under the Hawke-Keating Government, where by the time that it had lost in 1996, seven out of eight migrants coming to Australia were family reunion program.

RICHARD MARLES: The point about the different way in which Australians see the population issue is a point well made. I remember when Tony Burke was the population minister he made exactly that point and I agree with the way that you described it as well. I'd put Geelong into the list of places where in fact we see more people coming as something that helps build our local economy.

George Megalogenous wrote a fantastic book called *Australia's Second Chance*, and the fundamental thesis in that is that a lot of Australia's prosperity since European settlement has been founded on permanent migration. Bill made a, I think, a very good point about the temporary migration program, but in terms of permanent migration, it's been a pillar of our economy, so it's really important that as we look at this, that issue, the permanent migration program, which actually hasn't been politicised, has by in large been bipartisan, that it remains so.

CHRISTOPHER PYNE: Well I take the view that the management of population is all about infrastructure. It's about water, it's about local, state, and Commonwealth Governments making the right decisions. We have a continent the size of the United States, yet we have 25 million people versus their over 200 million people. I feel like we can take more people in Australia, and we have an obligation in many respects to do so, but you have to have the right infrastructure.

But let's move on to the next topic, which I think is yours.

RICHARD MARLES: Well, and that is the by-elections, which are of course coming up on Saturday week. They really have been the local domestic issue, which has been dominating politics for a couple of months now. We are eight days out. Have a look at this.

JOHN HOWARD [CLIP]: Georgina, she's an extremely accomplished young woman. I think this is an important by-election. The former member, held it for the last couple of years, has on occasion voted with the Labor Party on issues that are quite important to our border security.

JOURNALIST [CLIP]: 10 days to go, do you think you're running out of time to change people's minds?

GEORGINA DOWNER [CLIP]: 10 days is a long time in politics.

TREVOR RUTHENBERG [CLIP]: A part of what you need to do in life, a part of being a person with integrity, is to own your mistakes and that's what I've done.

MALCOLM TURNBULL [CLIP]: He misdescribed a medal he'd received.

SUSAN LAMB [CLIP]: There are a number of people right across the electorate that are incredibly disappointed.

RICHARD MARLES: Christopher, I see that you've just been in Braddon, and I dropped in Longman earlier in the week. I've got to say that I think Susan Lamb is doing a fantastic job there, and we're feeling very optimistic about Longman. I do not understand how your candidate can make a mistake about whether or not he received a service medal, but I think you'd agree that these are close by-elections that are going to go down to the wire, aren't they?

CHRISTOPHER PYNE: Well I was in Braddon during the week. If we win the Braddon by-election, which I'll be taking the credit for being there, and if we don't win it I'll pretend I was there for another reason.

RICHARD MARLES: You'll always take the credit.

CHRISTOPHER PYNE:] I am going to Longman this week as well, so it's good fun campaigning in by-elections. Look, the Government hasn't won a by-election from the Opposition since 1920, in 98 years, so winning any of these by-elections would be a 1-in-100-year event, so it's extremely unlikely and Labor should be seeing five per cent swings to

them in these by-elections. That is about the average swing in a Commonwealth by-election. It is incredible, it is incredible that anyone's talking about the Coalition winning any of these by-elections. What it speaks volumes for is how unpopular Bill Shorten is and how people have worked out that they can't trust Bill Shorten, they can't afford Labor. Nobody wants to pay \$270 billion worth of tax. Now, you should be miles ahead in these by-elections. The fact that you're not should ring alarm bells in Sussex Street, in New South Wales and in headquarters in Canberra about the viability of the policies as well as your leader.

RICHARD MARLES: Look, I'm not at all worried about our policies, Christopher. If you are worried about your wages stagnating and you're worried about the loss of penalty rates; if you scratch your head with bemusement about how the big banks can be getting a \$17 billion tax cut; and if you are looking for a much more targeted-

CHRISTOPHER PYNE: -Well, I'm worried for you.

RICHARD MARLES: -tax cut, then your choice is clear. So I think our policies are going to stack up pretty well. These by-elections have their own issues and that's what we're seeing here. They're going to be close and we'll see how they'll pan out.

We've run out of time for this side of the program. Join us afterwards, where we're going to have a chat with Peter Jennings.

[AD BREAK]

CHRISTOPHER PYNE: Welcome back to *Pyne & Marles* on Sky News Live. It's been a big week for foreign policy between the US and Russia. But also the US and its other allies. And so this week we're joined by the Executive Director of the Australian Strategic Policy Institute, Peter Jennings. Peter, welcome back to the show.

PETER JENNINGS: Thanks, it's a pleasure to be here.

CHRISTOPHER PYNE: So Peter, it's been an amazing week in terms of the Trump/Putin relationship. Russia, the United States, the United States and the EU, the United States and NATO, Australia as an ally. With Trump failing to raise the MH17 issue with Vladimir Putin, have the media completely overreacted to this, or is it as significant as it seems?

PETER JENNINGS: Well if you read the *New York Times*, it seems that the world is about to come to an end, but I think there's a lot of justification in, you know, the concern that we're seeing across the global media.

Trump has jumped the shark, Christopher. I mean, he's clearly out of any normal Republican mould for what a president should be like. He doesn't seem to be able to find a bad word for any of his enemies, and he doesn't seem to have a good word for any of his allies, and to see him standing next to Putin dissing the American intelligence community, I just thought it was remarkable.

RICHARD MARLES: Yeah Peter, I completely agree with that, and I think we've had two instances now where I think they said that there was a special place for hell for the Canadian

Prime Minister, and within 24 hours Donald Trump is standing next to Kim Jong-un; now we've seen Europe as a foe, and in a moment he's standing next to Vladimir Putin. I guess the question, I mean the American system of alliances is really important for the world. It's obviously important for Australia's interests. Our alliance is going to survive with the US. Is it right to feel a sense of confidence that that system of alliance is going to survive this president?

PETER JENNINGS: You know Richard, outside of the White House, you would struggle to find an American that did not put enormous value on the Australian alliance, and that's not just sentimentality, that's also because they get significant value from it in terms of shared combat operations, high-quality intelligence input, so in a sense I think what we need to do is try to avoid the president's ire. It's a very good indeed that America has a trade surplus with Australia.

But I don't think we should be complacent either. Infact I have an article in *The Weekend Australian*, which talks about what Plan B looks like for Australia if we go through a period where the alliance is not as effective as it might be, and my assumption is that the Americans will continue to sell us defence equipment. I think they'll continue to share intelligence with us because it's to their interests to do so, but what happens in a world America withdraws its troops from South Korea and Japan, and the expectation is that Australia really has to look after its security interests without any direct American military involvement. We may be in that world for a period, until such time as the, you know, new American president brings American policy back to a more standard post-war norm.

CHRISTOPHER PYNE: So Peter, the White House would say Trump's words are one thing but the actual actions of the Trump Administration have been much tougher towards the Russians. They've sold lethal weapons, or in fact given lethal weapons, to the Ukrainians and to the Georgians. They've toughened up their reaction to the sanctions for Russia, for the travel, free travel of Russian individuals, the operations of companies. So they say 'look at our actions, not our words'. Now, how much truth do you think there is to their argument that Trump is trying to establish a new relationship with Russia, but he's actually been tougher than the Obama Administration on Russia?

PETER JENNINGS: There is definitely truth to that, Christopher, but how much of it is to do with the President as opposed to the, sort of, force of gravitational pull the rest of the Administration is able to exert remains to be seen. So, for example, Trump allowed the Nuclear Agreement with Iran to survive for almost the first year of his presidency when he clearly didn't like it, and it got to a point where he simply refused to take the advice of his advisors any longer and then announced that America would pull out.

I think we're seeing a Donald Trump that's now more confident to follow his own instincts than the views of his advisors and it may well be that what we see is all the harder measure you were talking about start to fall away. I thought it was very unfortunate, for example that Trump said nothing publicly to criticise the Russian annexation of Crimea, and the continuing set of Russian involvement in the Eastern provinces of Ukraine. It seems to me that Trump is far more willing to forgive Putin's sins than the rest of the American Administration, and there's a bit of a tussle now in the Administration about who's going to win between the President or people like Jim Mattis, who would take a harder line view.

RICHARD MARLES: I think Christopher 's point is a good one, and I've heard that as well. I don't think there's any doubt that you're right, Peter, that Donald Trump is running America, and increasingly so. He is much more confident to run with his own advice compared to the advice he's been receiving, and to me the question that raises is what does Donald Trump stand for in terms of foreign policy?

You're right, Christopher, that in many respects he has hardened up. The chemical weapon strikes for example, striking in response to that, I think that was a really important step the Trump Administration took, but I feel very confused about where he's taking America, and I think he's the one taking America. In the context of all of that, Peter, what's our play, then, in terms of making sure that the Australia-US alliance remains strong in the face of all of this?

PETER JENNINGS: Well first do everything we can to sustain that. As I say, there are deep wellsprings of support in the American system for the alliance relationship. I think it's a very good thing that we are now at , or within a hair's breadth of, the two per cent of the gross national product being spent on defence, because that's the benchmark that Trump has used against NATO countries.

I think what we need to do is continue to be the active player in the alliance, to go to the United States with ideas about how we should engage throughout Asia, and more broadly, in order to make sure that the President realises that we're not freeloading, we're actually pulling our weight, we are putting our net advantage to the Americans, in order to keep up the relationship.

RICHARD MARLES: I could not agree more with everything you just said. I think that's exactly what we need to be doing. Peter, thank you for joining us. It is such a tumultuous time that I'm sure we're going to have you back again, trying to give us some insights as to how we navigate these very interesting global waters that are presenting to us right now. Thanks for coming along.

PETER JENNINGS: That's my pleasure.

RICHARD MARLES: That brings us to the question of the week, which was inspired by the remarkable intervention of Mark Latham, earlier in the week, where he's recorded a robocall in support of the One Nation candidate in Longman, and the question of the week is "How does a politician retire with grace?" Christopher, what do you think is the exemplar here of politicians who have retired with grace, and who are the bad guys?

CHRISTOPHER PYNE: Well I think the good guys are Hawke and Howard, well John Howard and Bob Hawke. I mean there are many good examples, but the two obvious Prime Ministers who have really enjoyed both their time in office and their period out of office, you couldn't find two that better examples. They've both been tremendous supporters of their parties, Labor of course in Bob's case, and the Liberal Party in the case of John Howard. And they've been good contributors to our national debate, but look like they've had a tremendous time serving the public, and I think they're the model.

RICHARD MARLES: Well look, there's no doubt that Mark Latham is the antihero here,

doing diaries, door-stopping the Prime Minister during an election campaign, all of that bad form, and this just takes it to a new level. I agree with you. I think Bob Hawke and John Howard are the way to go, and they should be our guiding light here in terms of how to conduct themselves post politics.

We've run out of time. Thanks again for joining me today Christopher, and viewers, we look forward to seeing you again next week at 1 o'clock on Sky News on *Pyne & Marles*. We'll see you then.

Authorised by Noah Carroll, ALP, Canberra.

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