

OPINION

Turnbull's World View

By John Lee

The successful challenge by Malcolm Turnbull on Monday to displace Tony Abbott as leader of the Liberal Party means Australia will have changed prime ministers four times in five years. Mr. Turnbull entered politics a little more than a decade ago and held ministerial responsibilities under previous conservative governments dealing primarily with domestic matters. This leaves questions about Mr. Turnbull's foreign policy.

Australia's new foreign policy should be a road map for changing economic landscapes.

The reality is that Mr. Turnbull will be focused on attaining legitimacy by winning the endorsement of the people. This means an emphasis on domestic economic reform, rather than on foreign policy, to build a platform for electoral success in next September's election. But Mr. Turnbull is likely to alter the Australian framing of issues critical to the region, including at gatherings such as the East Asia Summit and G-20 meetings, even if basic strategic and security-policy settings remain the same as they were under Mr. Abbott.

The key to understanding how Mr. Turnbull thinks about the world is to consider how he made his name and fortune. A co-founder of

an investment-banking firm in the 1980s, Mr. Turnbull invested in OzEmail, one of the early providers of dial-up Internet services to Australian homes and the first Australian technology company to list on the Nasdaq. He later became the chairman of OzEmail as well as managing partner of the Australian arm of Goldman Sachs before entering Parliament.

This entrepreneurial and commercial background has allowed Mr. Turnbull to argue that he is better placed than any other Liberal or Labor Party leader to see Australia through challenging economic times and to seize new opportunities as the China-led resources boom ends. This was an important reason why colleagues critical of Mr. Abbott's incapacity to promote economic reform shifted to Mr. Turnbull.

Mr. Abbott did have economic achievements and will be justifiably proud of free-trade agreements with China, Japan and South Korea that were concluded on his watch. When it came to national security, the former leader focused on meeting potential strategic challenges to Australian and regional interests. His positive and muscular legacy includes policies to deepen Australia's alliance with the U.S. and to forge new security relationships with countries like Japan and India.

Mr. Turnbull, by contrast, will emphasize existing strategic rivalries and challenges but also changes that will make or break the region economically. This is clear from his many speeches and public discussions, including on national security.

Take the challenges facing Aus-



Malcolm Turnbull after winning the leadership of Australia's Liberal Party Monday.

tralia and Asia. Mr. Turnbull is at his most eloquent explaining disruptive factors that could leave the region economically vulnerable and exposed. One is the aging of the populations of countries such as China, Singapore, South Korea, Thailand and Vietnam. Another is new technologies, such as automation and 3-D printing, that will revive manufacturing in advanced and innovative economies and potentially harm the low-cost manufacturing ambitions of developing countries.

As the then-communications minister reminded a Melbourne business audience in June, "Economic life was much the same for each successive generation" until recently. In the face of unprecedented technological and demographic changes, challenges and

openings will arise, reshuffling Asia's winners and losers. Ensuring Australia is positioned to join the winners is at the forefront of Mr. Turnbull's mind.

Then there are his concerns on China. Rather than emphasizing the military power and potential menace of the People's Liberation Army, Mr. Turnbull sees an economy stagnating from incomplete reform as a nightmare for the Communist Party and the region. He sees a struggling and frustrated China as far more dangerous than a prosperous and proud one.

None of this means that Mr. Turnbull will ignore the value of freedom and liberalization. But rather than lecturing Beijing on the perils of its increased regional assertiveness or urging political reform, the new Australian leader is

more likely to urge the Communist Party to resist intervening in the economy and wind back its state-owned enterprises in favor of lifting up the private sector. In the same light, the widespread cybertheft of intellectual property may be higher on Mr. Turnbull's agenda than, say, the PLA's double-digit annual spending growth.

With many regional governments depending on continued prosperity for domestic legitimacy and stability, Mr. Turnbull's focus on the economic challenges and opportunities for Australia and Asia will be welcomed by many countries. But some capitals will be nervous. Tokyo will be wondering whether the close relationship forged between Mr. Abbott and Prime Minister Shinzo Abe will continue. Washington will hope that Mr. Abbott's robust support for the U.S. in its fight against the Islamic State can endure.

The Australian national-security community will also hope that Mr. Turnbull accepts regional stability as largely dependent on military power and deterrence, while U.S.-centric alliances and partnerships have never been more important vis-à-vis a nuclear-armed North Korea or China's re-emergence. If the new prime minister can address these concerns in addition to bringing an economic dimension to national security, then Australian foreign policy and standing are in strong hands.

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The U.S. Supreme Court in an Interdependent World

By Stephen Breyer

When I joined the U.S. Supreme Court 21 years ago, we justices only occasionally had to look beyond our shores or beyond our nation's practices to decide cases. That is no longer true.

Today a considerable number of cases require us to examine the law and practices of other nations. Legal problems—human-rights violations, threats to national security, computer hacking, environmental degradation, corporate fraud, copyright infringement—surface beyond our borders and may become potential threats to us at home.

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Meanwhile many Americans engage in international transactions and travel to lands where the customs and laws are different from our own. The legal questions that arise when something goes wrong in a consequential way with an American abroad, or a foreign national here, are among the most challenging that the court must decide.

In my new book, "The Court and the World," I describe how global interdependence increasingly is changing the work of the Supreme Court. Here are a few examples of the issues that have come before us in recent years:

- In the mid-1970s Dolly Filártiga, a citizen of Paraguay, came to New York City. She soon found that Américo Norberto Peña-Irala, the policeman who had tortured and killed her brother some years ago in Paraguay, was living illegally in New York.

- Ms. Filártiga also found an American law, the Alien Tort Statute of 1789, that seemed to open the doors of U.S. courts to a civil suit that she filed against Mr. Peña for her brother's wrongful death. She won

the suit, although Mr. Peña was deported before she could recover any damages.

Since then, our courts have had to interpret that ancient statute with growing frequency. Eventually, the Supreme Court had to face an important question: Whom does the statute protect today? When Congress enacted the law, it may have intended to allow victims of 18th-century pirates an avenue for compensation. Who are today's pirates? And how can we reconcile our interpretations of the statute with the need of other countries to rely upon their own methods for compensating human-rights victims (of, say, apartheid)?

- A few years ago a student from Thailand studying at Cornell University asked his parents to buy English language textbooks in Thailand and send them to the U.S., where identical texts sold at a higher price. Does American copyright law allow him to do this? This sounds like a technical question, but the same issue can arise when you buy a gadget with a copyrighted label at the corner store, or when you buy a new car that includes copyrighted software. Does it matter if the car was made in America rather than Japan?

We were told that the implications of the case *Kirtsaeng v. Wiley* (2013) were enormous, perhaps affecting \$3 trillion worth of worldwide commerce. (The student won.)

- In the previous decade the court decided four cases that focused upon the rights of detainees at Guantanamo Bay. In respect to the curtailment of basic rights Justice Sandra Day O'Connor wrote (*Hamdi v. Rumsfeld*, 2004) that the Constitution does "not write a blank check for the President." I agreed. But what kind of "check" does the Constitution "write"? Can we know without understanding the nature of the foreign threats that face the nation?

- The court has had to interpret domestic-relations treaties that specify whether to send a child back to a father in a foreign country when the child was brought here by the mother. We have interpreted foreign-investment treaties setting ground rules for arbitration. We have inter-

preted treaties granting to foreign courts, such as the International Court of Justice, the authority to make decisions limiting the scope of state or federal criminal law. We have faced questions involving Congress's power to delegate to international bodies the authority to make rules that bind Americans. Hundreds of international institutions are already writing such rules.

The American public needs to understand what the "international" part of the Supreme Court's work actually means—and what it does not

mean. In particular, the frequent presence of foreign-related issues in the court's cases has little or nothing to do with the current political debate about whether American courts, including the Supreme Court, should refer in their opinions to decisions of foreign courts. Judicial references to foreign law and practices do not reflect the ideologies of justices—rather they reflect a world in which cross-boundary travel, marriage, commerce, crime, security needs and environmental impacts have become prevalent.

Sri Lanka's Economic Challenge

By Razeen Sally

Sri Lankans can hardly believe their luck. Until late last year, then President Mahinda Rajapaksa and his family seemed destined to remain in power for years to come. Sri Lanka had all the symptoms of "illiberal democracy": authoritarian politics, rampant corruption, ethnic chauvinism and a crony-dominated economy.

Then, unexpectedly, a presidential election in January toppled the Rajapaksas. Parliamentary elections last month reinforced the people's verdict.

A governing alliance centered on the United National Party has emerged, though without an outright majority in Parliament. The leaders, Prime Minister Ranil Wickremesinghe and President Maithripala Sirisena, from the opposition Sri Lanka Freedom Party, announced they would form a national unity government.

These electoral outcomes give Sri Lanka a once-in-a-generation opportunity for reform and renewal. But the country has squandered such opportunities before. Can this time be different?

The biggest black spot is the economy. So far the Rajapaksa government's illiberal economic policies have not been reversed. On the contrary, the UNP-led government's first budget contained spending giveaways and price controls, and the central bank has printed money freely.

The forces that united to defeat Mr. Rajapaksa had no consensus on market reforms. Ahead of the Parliamentary election, Mr. Wickremesinghe campaigned for market reforms under the label of a "social market economy." Now he has a mandate for those reforms—not a decisive one, but a mandate nonetheless.

Sri Lanka needs a fundamental shift to the market and globalization to ensure sustained growth and prosperity. Pro-market reforms are imperative to attain important noneconomic objectives as well.

Previous bouts of economic collectivism going back to the 1950s ruined the economy, destabilized politics, damaged relations with the West and stoked ethnic conflict. Lack of economic opportunity drove unemployed Sinhalese and Tamil youth into the arms of violent militant groups.

A globalized market economy is



Ranil Wickremesinghe, left, with Maithripala Sirisena last year.

the sturdiest foundation for a genuinely open society with the rule of law, ethnic peace and balanced international relations. Without it, all else fails. It has to be the government's top priority. And Mr. Wickremesinghe needs to proceed fast before his window of opportunity closes.

Will the new leadership squander a rare opportunity for reform and renewal?

Most urgent is macroeconomic stability. Sri Lanka's rising debt is unsustainable and the country is heading for another balance-of-payments crisis. It is dangerously reliant on foreign commercial borrowings at a time of increasingly volatile capital flows to emerging markets. Taxation and expenditure need radical surgery to prevent further public debt accumulation and make debt financing more sustainable. The printing press must be stopped.

Second, there should be a bonfire of domestic red tape to free up the private sector. Third, education reform is needed to upgrade knowledge and skills, given that Sri Lanka is now a lower middle-income country that cannot compete with cheap labor. Fourth, the bloated, loss-making public sector should be restructured and downsized.

Fifth, Sri Lanka needs a new global economic strategy. The main targets for the next decade should in-

clude a trade-to-GDP ratio of more than 100% (from just over 50% today), and a foreign investment-to-GDP ratio of 5% (from 2% today). Much bigger volumes of imports, exports and foreign investment are critical to plug Sri Lanka into global supply chains, which are important drivers of productivity, employment and growth. Trade and foreign-investment barriers must be slashed to achieve these targets.

These measures should be implemented unilaterally, but they can be reinforced with free-trade agreements. The government should deepen the FTA with India and aim for FTAs with both the U.S. and EU. It could lodge an application to join the Trans-Pacific Partnership.

The politics of these reforms will be extremely difficult. Reforms will have to be sequenced carefully, proceeding from easy to hard. The top short-term priorities should be to restore macroeconomic stability, cut red tape and liberalize international trade and investment. Tax and expenditure reforms should have short-term and medium-term components. Public-sector and agricultural reforms will have to be last in the queue, given their extreme political sensitivity.

Ultimately reforms depend on Mr. Wickremesinghe—Sri Lanka's only senior politician who gets the case for markets and globalization—and a handful of competent professionals in his inner circle. It is vital they control the major reform areas. The danger is that the national unity government, full of old-style populist politicians, will dilute and slow down reforms.

Economic collectivism is the central source of Sri Lanka's post-independence failure. It has bred too much politics at all levels of society. Political connections are needed to get even the most basic things done.

Sri Lankans need freedom to produce and consume goods and services. That demands better rules of the game for markets and competition, and much less room for politicians to control people's livelihoods. Without greater economic freedom, Sri Lanka will never achieve its potential for prosperity with political stability, the rule of law and ethnic harmony.

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THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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