



# The Three Pillars

**Our alliance with the US,  
Our membership of the UN, and  
Comprehensive engagement with Asia.**

**A Foreign Policy Statement  
by the  
Australian Labor Party**

**Kevin Rudd MP**

Shadow Minister for Foreign Affairs and International Security  
October 2004

# THE THREE PILLARS

OUR ALLIANCE WITH THE US, OUR MEMBERSHIP OF THE UN AND OUR POLICY  
OF COMPREHENSIVE ENGAGEMENT IN ASIA

## A FOREIGN POLICY STATEMENT BY THE AUSTRALIAN LABOR PARTY

### TABLE OF CONTENTS:

1. INTRODUCTION
2. VALUES, INTERESTS AND OBJECTIVES IN THE FRAMING OF AUSTRALIAN FOREIGN POLICY
3. THE FOREIGN POLICY TERRAIN (I) – GLOBAL DRIVERS OF CHANGE
  - i. The US, the UN and the Future of the International Order
  - ii. Terrorism
  - iii. Proliferation of Nuclear, Biological and Chemical (NBC) Weapons
  - iv. Globalisation
  - v. Global Poverty
  - vi. Human Rights
  - vii. Science and Technology
  - viii. Resource Security
  - ix. Sustainable Development
  - x. Demographic Change
4. THE FOREIGN POLICY TERRAIN (II) – MAJOR REGIONAL TRENDS
  - i. China Rising
  - ii. Japan
  - iii. Korean Peninsula
  - iv. Indonesia and South East Asia
  - v. Regional Architecture
  - vi. The South Pacific, PNG and New Zealand
  - vii. India
  - viii. The Middle East
  - ix. Europe
  - x. Africa and Latin America
5. POLICY RESPONSES

- i. An Annual Foreign Policy Statement to Parliament
- ii. The Three Pillars
- iii. Individual Policy Responses

6. A PROPOSED COMPREHENSIVE REGIONAL COUNTER-TERRORISM STRATEGY FOR AUSTRALIA

## CHAPTER 1: INTRODUCTION

The purpose of this Policy Statement is to outline the Australian Labor Party's foreign policy framework:

- Our foreign policy objectives.
- Our analysis of the regional and global foreign policy environment in which we must operate.
- Labor's policy response to the practical task of maximising our objectives in an increasingly complex, challenging and at times confusing international environment.

It is unusual, perhaps unique, that an opposition party should produce a detailed foreign policy statement. That is normally the province of government given the bureaucratic resources government has at its disposal and the practical, day-to-day policy challenges governments face.

There are two main reasons why Labor has decided to prepare this Policy Statement. First, foreign policy has now become a direct, domestic and almost daily concern for many Australians. Foreign policy is no longer seen as the separate, exclusive preserve of bureaucrats, diplomats and intelligence boffins.

Foreign policy today has become the concern of main street Australia: whether it is the impact of international terrorism on Australia's security on the home front; whether it is the impact on Australian currency markets, financial markets and firms arising from political, economic or strategic convulsions abroad; or whether it is the concern that Australians continue to feel for the suffering of their fellow human beings as most recently demonstrated by the humanitarian crisis in Sudan.

For these reasons, Australians today have a greater and more direct interest in foreign policy than they did before. It is important, therefore, to have a clearly articulated choice put before the people on the different approaches to foreign policy represented by the country's major political parties.

A second reason for producing this Policy Statement is that in recent years we have seen a dramatic breakdown in the bipartisanship that has traditionally characterised the Australian foreign policy debate. During the quarter century from the election of the Whitlam Government to the election of the Howard Government, a broad consensus was achieved on the enduring themes of Australia's foreign policy engagement: our alliance with the US; strong participation in the multilateral system; and a strengthened relationship with our nearest neighbours in Asia and the Pacific. Foreign policy differences tended to be those of nuance, emphasis and tone rather than fundamental policy divergence.

Recent developments, however, have opened a widening gap in the respective approaches of our two main political parties. These included: the Prime Minister's response to Hansonism, resulting in sustained negative responses from our neighbours; the Government's political manipulation of the Tampa Affair and the ensuing global condemnation of Australia's disregard for international humanitarian law; and the Government's subsequent handling of the 'Children Overboard' Affair. Common to all the above was a Government increasingly predisposed towards seeing foreign policy as the continuation of domestic electoral politics by other means – irrespective of the cumulative damage to Australia's international reputation.

Another factor contributing to a breakdown in the general foreign policy consensus in this country has been the Government's handling of the public service. A long-standing bipartisan convention in Australia is the independence of the public service. This is particularly important in the areas of foreign policy, defence policy and intelligence. This independence has been eroded during the life of the current Government. There is no longer a robust culture of providing frank and fearless advice across departments and agencies collectively responsible for the formulation and execution of Australia's national security policy. Defence Department and Australian Defence Force personnel were used for demonstrably political purposes during the 'Children Overboard Affair'. The Australian Federal Police Commissioner was publicly attacked for departing from the Howard Government's political script on the relationship between Australian participation in the Iraq war on the one hand and Australia as a terrorist target on the other. The campaign of character assassination against former intelligence officer Andrew Wilkie has also been a disturbing development. Equally disturbing are the findings of the Jull Committee Inquiry on Pre-war Intelligence on Iraq on the extent to which the Government exaggerated the intelligence information it had in its possession in making the case for war in Iraq. In short, political manipulation has crept into the heart of Australia's public service departments charged with the great task of safeguarding this country's national security.

A further factor affecting the future of bipartisanship in Australia has been the erosion of public trust in public pronouncements by Government on important questions of national security. In 1995, the Prime Minister as Leader of the Opposition moved a motion in Parliament reaffirming "the importance of truth in public life as essential to preserving confidence in government". However in August 2004, eight years into the Howard Government, 43 retired department heads, Defence Force chiefs, intelligence chiefs and senior diplomats issued an unprecedented statement condemning the Government for its deception of the Australian people over the invasion of Iraq. That statement concluded:

"Above all, it is wrong and dangerous for our elected representatives to mislead the Australian people. If we cannot trust the word of our Government, Australia cannot expect it to be trusted by others.

Without that trust, the democratic structure of our society will be undermined and with it our standing and influence in the world.”

Finally, bipartisanship was shattered by the Government’s extraordinary decision to participate in the military invasion of Iraq in the absence of explicit authorisation by the UN Security Council. By any historical measure, this was no ordinary decision given the Government’s relegation of the UN Security Council process, the shifting grounds the Government has offered to justify its decision to invade another state and the magnitude and duration of the Australian military commitment in a theatre of operation well beyond the normal geographical purview of the ANZUS Treaty.

For these reasons, there is less bipartisanship in Australian foreign policy today than there has been at any time since the Vietnam War - and arguably since World War II. In Labor’s view it is therefore important to articulate as clearly as possible the differences between our parties and the reasons why we hold a different view of Australia’s role in the region and the world.

In its eight year tenure, the Howard Government has produced two foreign policy White Papers: one in 1997 and most recently in 2003. Neither document sought to be comprehensive or cover the field. Nor does this Statement. It does not represent Labor’s final word on foreign policy. A Labor Government will issue more detailed statements on individual components of its foreign policy.

It is worth questioning the wisdom of producing freestanding foreign policy White Papers every half decade or so, consistent with the Government’s current practice. This practice is based on the increasingly unrealistic assumption that little is likely to fundamentally change in the intervening years. If the last half decade has taught us anything, it is that the pace, intensity and complexity of change are increasing rather than decreasing.

One of the recommendations of this Foreign Policy Statement is that the formal foreign policy White Paper process be replaced with an annual, simpler foreign policy statement to Parliament. A classified version of this document would be prepared for the internal consumption of government. Given the rapidly changing international environment in which Australia operates, this may be a more realistic response to the age in which we live.

## **CHAPTER 2: VALUES, INTERESTS AND OBJECTIVES IN THE FRAMING OF AUSTRALIAN FOREIGN POLICY**

The foreign policy of a nation is best defined as the articulation of those national interests and values to be advanced in the international domain. Of course, this is easier said than done because while our interests and values sometimes complement each other, they can also be in conflict. This is a

normal part of the foreign policy process as competing interests and values 'rub up' against one another in the determination of a country's core foreign policy objectives.

Some argue that foreign policy has its own logic that operates within a self-contained domain and that the interests *of* states should not be constrained by the values we seek to apply to our political processes *within* states. This is a classically conservative view of foreign policy. It argues that there are no rights and wrongs in foreign policy – only interests. It also argues that any debates about morality should be confined to our territorial limits – that foreign policy is an inherently amoral exercise. As such, classical conservatives are of the view that the world should simply be accepted as it is and regard any attempts at improving the international order as idealistic nonsense.

Labor has a different view of foreign policy. We believe that foreign policy, like domestic policy, is about both interests *and* values. Our view is that the interests and values that we seek as a part of our domestic processes should also be reflected in our view of the world. Labor values do not simply stop at the continental shelf. They apply to the international domain as well. In our view there is a logical continuum between the two.

Labor foreign policy is a hard-headed process of bringing our interests and values together into a single set of foreign policy objectives: the fundamental national interests of security, prosperity and opportunity; together with our fundamental national values of equity, compassion and sustainability.

Against this background, Labor argues that there are four fundamental foreign policy objectives for Australia:

- A secure Australia - secure at home, secure in the region and secure in the world.
- A competitive Australia - global competitiveness being our best guarantee for national economic security.
- A compassionate Australia – bringing a compassionate voice and compassionate action to a world with more than 1 billion people still in poverty.
- A sustainable Australia – advancing environmental sustainability both locally and globally.

Labor first and foremost is committed to a secure Australia. Security is fundamental to our territorial integrity, political sovereignty and national prosperity. History demonstrates that Labor, not the conservatives, is the natural party of national security. In the post Federation period, Labor promoted an Australian Navy and a Commonwealth militia. In World War I the Australian people turned to Labor under Prime Ministers Fisher and then

Hughes. In World War II, Australians again turned to Labor under Curtin. And it was Labor under Hawke that led Australia during the first Gulf War. By contrast, the Coalition now pursues a national security policy that has made Australia less secure in its own region than at any time since the 1960s.

Labor also believes in a competitive Australia. It was Labor under Prime Ministers Hawke and Keating that internationalised the Australian economy during the 1980s and 1990s. As a result, Australia was fireproofed from the worst impact of the Asian financial crisis. Labor's efforts through the Cairns Group and more broadly through our multilateral trade diplomacy expanded export opportunities for a newly competitive Australian economy. Hawke and Keating Government economic reforms delivered lasting productivity gains with dividends that continue to deliver growth to the Australian economy today. The danger now arises from policy inertia on the part of the current Government, so that productivity growth by decade's end could begin to falter.

Labor is committed to a compassionate Australia – an Australia that also argues for a more compassionate world. Former Australian Foreign Minister Gareth Evans defined this in part as Australia's 'good international citizenship'. This approach informs Labor's response to the emerging doctrine of international humanitarian intervention. It applies to Labor's commitment to international humanitarian law and our funding and support for international humanitarian organisations – the UN High Commissioner for Refugees, the World Food Program, the World Health Organisation and UNICEF. Labor believes that Australians are never indifferent to violence and suffering beyond our shores. We are by nature predisposed to action when help is needed.

Labor is also committed to a sustainable Australia and a sustainable planet. As the science on global warming and global climate change moves beyond dispute, the time has come for Australia to stop being a reluctant follower and start being an energetic leader in the urgent debate on global sustainability. For Labor this is a cardinal principle of intergenerational justice.

Beyond these four fundamental objectives, Labor believes the Australian people want once again to be proud of what their government is doing in Australia's name in the councils of the world. Australian individuals, foundations and corporations represent this country with distinction overseas. Our people-to-people diplomacy is in first class working order. The problem arises with our official diplomacy, which in recent times has lost more friends than it has made. Many Australians have become uncomfortable with what the current Government has done abroad in Australia's name: Tampa; 'Children Overboard'; attacks on the UN High Commissioner for Human Rights and the UN High Commissioner for Refugees; and unnecessary attacks on our neighbours in the region.

Australians feel increasingly uncomfortable about the overall tone, content and direction of foreign policy under the Howard Government. What the

Australian people are searching for is a government that is both hard-headed and big-hearted in dealing with the great foreign policy questions of our age. Australians want a government that brings together this country's legitimate national interests and its values in its overall foreign policy objectives, its analysis of the world, as well as in the determination of individual policies.

### CHAPTER 3: AUSTRALIA'S STRATEGIC ENVIRONMENT – GLOBAL CHANGE DRIVERS

Australia's foreign policy is not formed in a vacuum. It is a dynamic process involving three core components:

- A clear understanding of our national objectives.
- A clear understanding of the international 'terrain' in which Australian foreign policy must operate.
- Policy responses that maximise our objectives given the opportunities and constraints presented by our operating environment.

The purpose of the following two chapters is to elaborate on the second part of this process. Unless Australian foreign policy is guided by an intelligent understanding of the underlying changes at work within our global and regional operating environments, our policy will be reactive, short-term and ineffective. Just as globally competitive firms must be acutely aware of change drivers impacting on their markets, so too must globally competitive nations understand the strategic, political, economic, cultural and environmental factors shaping the foreign policy 'market place' within which they operate.

The complexity of this task is daunting. As a result, it will always be an imperfect science. But systematic analysis is necessary if we are to avoid foreign policy drift, default or defeat by simply 'muddling through'. Muddling through is not a viable option for a country such as Australia given its relatively small population, its medium-sized economy and its unique geo-strategic circumstances. A clear understanding of the terrain in which we must operate is arguably more important for Australia than most other Western countries. Our values, our interests and our circumstances demand that we be both globally and regionally literate. We are not able to share this analytical and policy burden with others through common membership of a regional organisation like the European Union. While we are not without friends and allies, ultimately the burden of analysing, understanding and responding to the main drivers of change in our immediate environment is ours and ours alone. This is no easy task.

All governments today are confronted by an international order characterised by uncertainty, unprecedented complexity and rapid change. As the Chairman of the US National Intelligence Council, Robert Hutchings, stated recently, the US now faces: "a more fluid and complicated set of international alignments than anything we have seen since the formation of the Western alliance system in 1949".<sup>1</sup> The National Intelligence Council is specifically charged with peering 'over the horizon' in order to identify the principal

---

<sup>1</sup> Hutchings, Robert, (Chairman, National Intelligence Council), *Looking over the Horizon: Assessing America's Strategic Challenges*, Address to Department of State/INR/World Affairs Council Seminar, Washington DC, 9 March 2004.

drivers of change that will shape the world of 2020 and beyond. As Hutchings also observed:

“If we are entering a period of major flux in the international system, as I believe we are, it is important to take a longer term strategic view - as a way of opening our minds to developments we might otherwise miss. We are accustomed to seeing linear change, but sometimes change is logarithmic: it builds up gradually, with nothing much seeming to happen, but then major change occurs suddenly and unexpectedly. The collapse of the Soviet empire is one example. The growing pressures on China may also produce a sudden, dramatic transformation that cannot be understood by linear analysis.”<sup>2</sup>

The complexity of the analytical task for government has also been compounded by globalisation and the consequential collapse of the traditional ‘great divide’ between the foreign and the domestic, the internal and the external, the national and the international. International relations have been studied for almost a century as a discrete, freestanding discipline. Foreign policy practitioners have traditionally viewed themselves as operating in an almost independent sphere from their domestic policy counterparts.

This sort of false dichotomy is no longer tenable, if in fact it ever was. Many of the drivers of change in our foreign policy environment are the same as, or at least similar to, the drivers of change within our domestic policy environment. For example:

- Terrorism.
- The narcotics trade.
- Organised crime.
- Capital flows.
- Patterns of trade.
- Technology transfers.
- Population mobility.
- Communicable diseases.
- Environmental sustainability.

The impact which this has on our institutional capacity to analyse the changes affecting our foreign policy environment is profound. We are already beginning to see some of the stresses that these demands impose upon the traditional organisation, coordination and resourcing of the Australian intelligence community.

Furthermore, integrated assessments of our foreign policy operating environment cannot be static, given:

---

<sup>2</sup> Hutchings, Robert (2004).

- The proliferation in the range and number of non-state actors (in both the security and economic spheres).
- The complex inter-relationship between new, non-state actors and traditional state actors.
- The sheer pace of technological change, at once both complicating and accelerating economic, political and military change.

For these reasons, the traditional practice of producing stand-alone White Papers every half decade or so is no longer feasible. The Howard Government's 1997 Foreign Affairs White Paper did not predict the Asian financial crisis of later that year. Nor did it predict the profound implications that crisis would have for political transformation in Indonesia and, consequently, in East Timor. To be fair, few other foreign policy specialists, in government and non-government agencies, anticipated these events either.

A better course of action would be for Australian governments to produce shorter annual assessments, both public and confidential, on the state of the region, the broader international order and the factors driving change in both. A regular, public process of this nature would have the additional effect of requiring government agencies to debate and resolve disagreements on intelligence assessments and arrive at an integrated view of the strategic environment Australia faces.

Given the resource constraints of opposition, it is impossible in this document to produce a comprehensive assessment of Australia's strategic environment. That would require harnessing the policy and intelligence capabilities of government. What this document seeks to do instead is outline and discuss the global change drivers and principal regional trends of greatest relevance to Australia's foreign policy objectives. In doing so, it does not seek to be comprehensive. It is, however, a start to a process which we would seek to institutionalise once in government.

The current chapter focuses on global change drivers. Regional change drivers are examined in the following chapter.

### 1. The US, the UN and the Future of the International Order

A central change driver for the decade ahead will be competing visions for the future of the international order. Views differ between the US and Europe on what the post-Cold War international architecture should look like - just as they do within the US itself. On top of this, there are competing visions on how the UN should reform itself given the complex array of security policy challenges it confronts in the post-Cold War, post-Rwanda and post-September 11 world.

In the 15 years since the end of the Cold War, the international system has suffered a series of shocks:

- The failure of the UN and the international community more generally to respond effectively to the humanitarian crises in Somalia, Rwanda and Bosnia.
- The new phenomenon of global terrorism demonstrated by attacks on the US, Bali, Madrid and most recently the Australian Embassy in Jakarta.
- The 2003 invasion of Iraq undertaken in the absence of an explicit UN Security Council mandate.

Each of these events has convulsed the international order crafted at the San Francisco Conference in 1945 based on the UN Charter and expressed through the establishment of the UN Organisation. Each convulsion has unleashed different forces within the international political debate about whether and in what direction the rules of the current system should be changed.

- The humanitarian disasters in Somalia, Rwanda, Bosnia and more recently Sudan have triggered a debate on the appropriate forms of international humanitarian intervention. Most recently this has taken the form of the 2001 Report by the International Commission on Intervention and State Sovereignty (ICISS) on 'The Responsibility to Protect'.<sup>3</sup> This in turn led to the UN Secretary-General appointing a High Level Panel on Threats, Challenges and Change to (*inter alia*) develop guidelines for future humanitarian interventions. This Panel will hand down its report later this year.
- The emergence of global terrorism has presented a fundamental challenge to the international order. The UN Charter was framed around the sovereignty of states and its provisions for collective action assumed that threats to international peace and security would come from states rather than non-state actors.
- Whereas September 11 triggered debate on how to deal with non-state actors, Iraq has triggered a much broader debate on the sovereignty of states themselves. The provisions of the UN Charter relating to the justifiable use of force were not met in the case of Iraq. Article 51 of the Charter recognises states' right to act in self defence. Article 42 enables states to act collectively against threats to peace and security if the UN Security Council explicitly mandates such action. Furthermore, it is argued by some that the nascent doctrine of international humanitarian intervention can be seen as justifying the use of force to prevent or stop war crimes or crimes against humanity from being committed. International humanitarian intervention cannot, however, be applied *post facto* to justify military actions undertaken on other grounds. Regrettably, none of these criteria were satisfied in the case of Iraq.

---

<sup>3</sup> Report of the International Commission on Intervention and State Sovereignty, *The Responsibility to Protect*, The International Development Research Centre, Ottawa, Canada, December 2001.

These debates have yet to be resolved. How they play out will in large part be shaped by the post-Iraq foreign policy posture of the US. There is at present a robust debate taking place between neo-conservatives, neo-realists and liberal internationalists in that country about how it should deploy its pre-eminent military and economic power.

How the US resolves its current debate is not simply of academic interest. It will have a profound effect on the rules and norms of international behaviour for the rest of the decade and beyond. It is a debate, therefore, in which friends and allies of the US, like Australia, should not simply be passive bystanders, but rather be active participants. This is dealt with more extensively in Chapter 5.

The independent US-based Stanley Foundation produced a report in October 2003 entitled 'Strategies for US National Security' which provides a distillation of three competing 'grand strategies' currently confronting the US.<sup>4</sup>

The first is described as 'The Strategy of Preventive War'. This strategy is based on the proposition that, in the post-September 11 world, deterrence and containment are dead. It argues that the 'root causes' of terrorism cannot be eliminated as long as free market democracy is not extended throughout the world. And it argues that neither international agreements nor international organisations can ever constrain the behaviour of terrorists. For these reasons, a new strategy of preventive war that elevates armed pre-emption to a 'guiding principle' is deemed by its proponents to be necessary.

A second competing strategy is described as 'The Strategy of Active Deterrence and Containment'. This strategy is based in part on the assumption that deterrence and containment worked in the case of Iraq in the 1991-2003 period. It is also based on the view that pre-emption should not be elevated to the status of a doctrine - but remain a tactic to be deployed in exceptional circumstances, especially when dealing with terrorists with a global reach. If elevated to a guiding principle, pre-emption risks encouraging other states to legitimise their own aggression under the guise of anticipatory self-defence. This strategy cautions against the achievability of propagating free market democracy by military means. And it is sceptical about the US military being used as 'social workers' undertaking idealistic humanitarian interventions that are judged to be peripheral to the vital national security interest.

A third competing strategy is defined by the Stanley Foundation report as 'The Strategy of Cooperative Multilateralism'. As the report notes:

"Supporters of this view argue that the United States is a nation of laws and throughout its history has taken the lead in creating global norms

---

<sup>4</sup> Korb, L, and Kraig, M, *Winning the Peace in the 21<sup>st</sup> Century: A Task Force Report of the Strategies for US National Security Program*, Stanley Foundation, October 2003, pp. 23-28.

and institutions that reduce threats to international peace and security".<sup>5</sup>

This strategy recognises the contribution military power makes to US security, while acknowledging its limitations, and maintains that US interests and values can best be pursued and sustained in the long-term by working multilaterally with allies and partners through international institutions. The report concludes that for this strategy:

"Our motto should be multilateral where we can and unilateral where we must, not vice versa".<sup>6</sup>

The outcome of the political transition in Iraq, together with the outcome of the 2004 US Presidential elections, will have a profound bearing on which of these competing strategies prevails (or which permutations and combinations of these strategies prevail). The foreign policy debate in the US Presidential elections is more intense than at any time since the height of the Vietnam War. How that debate is resolved will also have an important effect on the future of the UN and the broader international order. Australia's responsibility, as a long-standing friend and ally of the US and a founding member of the UN is, through appropriate diplomacy, to inject our own views in a manner consistent with Australia's long-term foreign policy interests. Having no view is not an option.

Similarly, once the UN Secretary-General's High Level Panel Report on Threats, Challenges and Change is handed down later in 2004, Australia will have a primary responsibility to seek to influence the outcome of the ensuing debate. The Australian Labor Government in 1945 did so with some effect when the current rules of the international order were first laid down in the UN Charter. A future Australian Labor Government would seek to do the same when the reform of some of these norms and procedures is considered during the course of 2005.

**A central change driver for Australia in the period ahead will be how current debates on the future of the international order are resolved. Their outcome will fundamentally shape Australia's future freedom of foreign policy manoeuvre - both regionally and globally. The progressive collapse of the UN rules-based system would profoundly impact Australia's geo-strategic circumstances and our current pattern of global and regional engagement. By contrast, reform and refinement of the UN system is capable of enhancing our national circumstances. A core reason why we face unprecedented international uncertainty is that we are participants in an international system in transition.**

## 2. Global Terrorism

---

<sup>5</sup> Korb and Kraig (2003), pp.26-27.

<sup>6</sup> Korb and Kraig (2003), p.27.

A second major driver of global and regional change in the period ahead is terrorism: its driving forces, its political manifestation and the reactions to it by governments, corporations and populations around the world.

Terrorism is not a new phenomenon in history. It is a form of asymmetric warfare waged by non-state actors aimed at removing governments or bringing about policy changes by governments. It usually takes the form of threats of violence or the application of violence to civilian and other targets in order to extract political concessions from the state actors in question.

The inherently asymmetric nature of terrorism is illustrated by Zachary Abuza who noted recently:

“[T]he Bali bombing in which 202 were killed, and led to the estimated loss of more than \$1 billion in tourism revenue for the country cost under \$35,000. Terrorism is truly asymmetrical warfare”.<sup>7</sup>

Whereas terrorism itself is not new, what is relatively new in the current environment is the global nature of its operations. Historically, terrorism movements have often overlapped with national liberation movements – ethnic, religious or political. By contrast, the current war against terrorism is a global war because the terrorist organisations engaged in that war have decided to engage genuinely global targets. At a technical level, this has been made possible by recent revolutions in information technology and communications technology and the growing ease of international financial transfers.

Whereas terrorism is a paramilitary strategy, it is not a political ideology. It is a means to a political end. In our current circumstances, the war against terrorism is a war against militant Islamism. In this sense, the war against terrorism, or the war against militant Islamism, is very much a political and military struggle for the hearts, souls and minds of the world’s 800 million Muslims. It is therefore, first and foremost, a theological, political and paramilitary struggle within Islam itself.

Its principal targets include governments within the Islamic world which are regarded by militant Islamists as secularised, compromised and/or corrupt. Militant Islamists have targeted Western states because of their perceived complicity in ‘propping up’ governments within the Islamic world which, in the eyes of the Islamists, are ‘beyond the theological and political pale’. More broadly, Western interests have also been targeted in their own right as perceived representatives of a ‘declining and decadent order which must be swept away’.

---

<sup>7</sup> Abuza, Zachary, *Funding Terrorism in Southeast Asia: The Financial Network of Al Qaeda and Jemaah Islamiya.*, 30 April 2003. p.5.

This militant, extremist ideology represents a small minority within the Islamic world that fundamentally contradicts the dominant, tolerant tradition of mainstream Islam. It is a minority, however, that is becoming increasingly well organised – politically and militarily, regionally and globally.

### *Al Qaeda*

The most infamous, but by no means the only, organisational incarnation of this militant Islamist tradition is al Qaeda. Drawing on a form of Saudi Arabian Wahhabi Islam, al Qaeda's origins can be traced back to the large numbers of foreign Mujahadeen fighters who fought the Soviet occupation of Afghanistan in the 1980s. As Peter Chalk points out, most of al Qaeda's dedicated fighters are veterans of this campaign, "many of [whom] were inducted into the so-called 055 Brigade from a huge [Mujahadeen] recruitment database created by bin Laden during the 1980s."<sup>8</sup>

Just as the Mujahadeen's galvanising ideology during the 1980s was the purging of the 'infidel' from the Muslim lands (in that case the Soviet Union from Afghanistan), so too did al Qaeda's ideology in the 1990s become one of 'purging the American infidel' from the sacred Muslim lands of Saudi Arabia. As Peter Chalk has noted:

" ... 1998 marked the group's first real emergence as a concrete entity. It was in this year that bin Laden issued his now famous *fatwa*, which specifically affirmed the killing of Americans and their civilian and military allies to be religious duty for each and every Muslim to be carried out whenever and wherever it was possible".<sup>9</sup>

While al Qaeda now operates on a truly global basis, between 1996 and 2001 it was headquartered in Afghanistan where it enjoyed the political support of the ruling Taliban. Peter Chalk points out that the relationship between al Qaeda and the Taliban was one of mutual self interest:

"In return for basing privileges in Afghanistan, bin Laden provided the Taliban with both troops (in the guise of the 055 Brigade) and finance (reportedly as much as US\$100 million over six years) to prosecute the war against the Northern Alliance (NA). The Afghan haven provided al Qaeda with a secure location in which to train its operatives and plan its attacks, while money and personnel from bin Laden allowed the Taliban to rapidly overrun and marginalise the NA".<sup>10</sup>

---

<sup>8</sup> Chalk, Peter, "Al Qaeda and its Links to Terrorist Groups in Asia", in Tan, A and Ramakrishna, K (Eds), *The New Terrorism: Anatomy, Trends and Counter-Strategies*, Eastern Universities Press, Singapore, 2002, p. 108.

<sup>9</sup> Chalk, Peter (2002), p.108.

<sup>10</sup> Chalk, Peter (2002), p.109.

During this period, al Qaeda (literally meaning 'The Base') also extended its organisational reach into other parts of the Islamic world deemed to be helpful in advancing al Qaeda's ideological mission. Peter Chalk argues that al Qaeda support has extended into three main groups:

- First, "entities opposed to Muslim governments that are deemed to be morally bankrupt and complicit in the suppression of true Islamic ideals and interests."
- Second, "organisations fighting against regimes that are perceived to be oppressing their internal Muslim populace."
- Third, "groups striving to create and maintain an independent Islamic state."<sup>11</sup>

In Asia, al Qaeda's influence was extended most visibly into Kashmir, the Southern Philippines and Indonesia - with some evidence of activity in Malaysia as well.<sup>12</sup> In Kashmir, al Qaeda's linkages were strongest with two militant groups in particular: Laskar-e-Toiba (LeT) and Jaish-e-Muhammad (JeM) (the names of these two organisations can be translated as 'The Army of the Pious' and the 'Soldiers of Muhammad'). In the southern Philippines, al Qaeda is believed to have some connections with groups that have been traditionally dedicated to the establishment of a separate Islamic state in Mindanao. In Indonesia, al Qaeda's most obvious connection has been with Jemaah Islamiah.

According to Rohan Gunaratna, one of the leading international analysts of al Qaeda, the impact of the successful US-led coalition invasion of Afghanistan and the removal of the Taliban regime has been the dispersal of al Qaeda organisers, operatives and financiers to other parts of the world: principally South East Asia, the Horn of Africa, the Middle East, parts of the former Soviet Union and Europe. As Gunaratna observes: "To compensate for the loss of its training and operational infrastructure in Afghanistan, al Qaeda is seeking to establish new bases in Yemen, the Philippines, Indian Kashmir, Georgia and Chechnya."<sup>13</sup>

Gunaratna has also noted that the frequency of al Qaeda attacks has increased since September 11 2001. Before September 11, al Qaeda conducted attacks on average every two years. Since that time, attacks from al Qaeda and associated organisations have been taking place on average every three months.<sup>14</sup>

Gunaratna predicts that al Qaeda will conduct fewer military operations in its own right in the future but will instead focus on coordinating attacks by other groups with which it is affiliated around the world. Gunaratna points to five such groups: Ansar al Islam in Iraq; the Salafist Group for Preaching and

---

<sup>11</sup> Chalk, Peter (2002), p.110.

<sup>12</sup> Chalk, Peter (2002), p.110.

<sup>13</sup> Gunaratna, Rohan, 'al Qaeda Adapts to Disruption', *Jane's Intelligence Review*, February 2004, p. 20.

<sup>14</sup> Gunaratna, Rohan (2004), p.20.

Combat in Algeria; al Ansar Mujahadeen in Chechnya; Hizb-i-Islami, the Islamic movement of the Taliban; and Jemaah Islamiah in South East Asia.<sup>15</sup>

The following box taken from a recent Gunaratna study identifies three distinct phases in al Qaeda's evolution and development.<sup>16</sup> While its detail is contestable, particularly in terms of the difficulty of launching future terrorist attacks within Western countries, it nonetheless provides a useful insight into the evolution of the al Qaeda movement.

### **Al-Qaeda: From a group to a movement**

To survive and remain relevant, Al-Qaeda has undergone three distinct transformations, and continues to evolve.

**Phase One:** Following the Soviet withdrawal from Afghanistan in 1989, Al-Qaeda Al Sulbah (The Solid Base) began as a group to support local Jihad movements, and assisted associated groups or directly targeted opposing governments, mostly in Muslim countries. By providing finance, weapons and trainers, the group played or attempted to play critical roles in the lands of jihad – Algeria, Tajikistan, Bosnia, Chechnya, Mindanao, Kashmir and Egypt.

**Phase Two:** Al-Qaeda developed its own capability to mount operations throughout the 1990s, largely due to close co-operation with Egyptian groups – Egyptian Islamic Jihad and the Islamic Group of Egypt – culminating with the 11 September 2001 attacks on the USA.

**Phase Three:** Due to security measures in Western countries taken after the 2001 attacks, Al-Qaeda and its associated groups were no longer able to mount attacks on Western soil, and so switched their attention to targets in Muslim countries where they were still able to operate. Attacks have taken place in Chechnya, Indonesia, Kenya, Tunisia, and Morocco, and against Western targets in Saudi Arabia, Turkey, and Iraq. In this phase, most of the attacks were not staged by Al-Qaeda but by associated groups. As they lack Al-Qaeda's level of expertise, the number of Muslim casualties has climbed. The loss of training and rehearsing bases in Afghanistan and intense networking with associated groups has forced Al-Qaeda to change from a group into a movement. Having successfully performed its vanguard operational role by attacking iconic US targets, a hunted Al-Qaeda is investing in an ideological role, mostly through the internet. While Western governments are largely investing their resources to fight Al-Qaeda, the centre of gravity has shifted into its associated groups, posing varying scales of threat in different regions.

### *Jemaah Islamiah*

Zachary Abuza, a key analyst of Jemaah Islamiah (JI), has described in detail the establishment of this organisation in 1993-94 by two radical Indonesian clerics, Abu Bakar Bashir and the late Abdullah Sungkar. Both had been living in exile in Malaysia since 1984 - only returning to Indonesia following the collapse of President Suharto's New Order regime. They had earlier been active recruiters for the Mujahadeen in Afghanistan.<sup>17</sup>

<sup>15</sup> In 2004, the al-Zarqawi network emerged as a major terrorist threat in Iraq.

<sup>16</sup> Gunaratna, Rohan (2004), p.22.

<sup>17</sup> Abuza, Zachary (2003), p.6.

According to Abuza, two of Bashir's and Sungkar's closest associates, Hambali and Abu Jabril, were recruited into al Qaeda having served in Afghanistan as part of the anti-Soviet Mujahadeen. Hambali and Jabril were instructed to establish a network of cells across the region whereupon JI formally entered into the al Qaeda fold.

It is Abuza's contention that al Qaeda first saw South East Asia as a 'back office' for their operations elsewhere through the establishment of front companies, fundraising, recruitment, the forging of documents and the purchasing of weapons and explosives. It was only later that South East Asia (and Indonesia in particular) became its own discrete theatre of operations for Jemaah Islamiah - once the latter had developed its own capabilities.<sup>18</sup> Gunaratna's view is that those capabilities were significantly enhanced following the dispersal of various al Qaeda operatives from Afghanistan and Pakistan to South East Asia following the Coalition invasion of 2001-02.

The functional and regional command structure of Jemaah Islamiah has been reasonably well documented. Of particular interest to Australia is the 'Mantiqi' structure which divides greater South East Asia into four regions - Australia and Papua New Guinea forming Mantiqi IV. Beneath each Mantiqi are relatively autonomous cells or 'fiah'.<sup>19</sup>

According to Abuza (in 2003):

"JI is not a large organisation - with perhaps no more than 500 members, though if one adds the affiliated paramilitaries ... membership increases to between 1000 and 1500, but this is a high estimate".<sup>20</sup>

Although writing 12 months ago, Abuza provides the following disturbing observation about JI's pattern of activity:

"JI is in full recruitment mode. Their recruits are not just students from the madrasa of the region, but young technical students and disenfranchised youth with little prospects. They are younger, angrier and they are technically savvy".<sup>21</sup>

Abuza also points to the disturbing training links between MILF and the Abu Sayyaf Group in the Philippines and Jemaah Islamiah. Abuza's observation is that "there is now significant evidence that there are two new camps in operation deep in MILF territory where Indonesians are being trained".<sup>22</sup>

---

<sup>18</sup> Abuza, Zachary (2003), p.5.

<sup>19</sup> Abuza, Zachary (2003), p.7.

<sup>20</sup> Abuza, Zachary (2003), p.8.

<sup>21</sup> Abuza, Zachary, *The State of Jemaah Islamiya*, 27 July 2003a. p 2.

<sup>22</sup> Abuza, Zachary (2003a), p.3.

There are also growing concerns about the potential cooperation between JI and separatist movements among the six million Muslims who live in Southern Thailand. According to analysts from the Institute of Defence and Strategic Studies (IDSS) in Singapore, while al Qaeda and JI penetration of Southern Thailand may have been limited to date, the Krue Se Mosque incident is being used by Islamist groups in other countries as a mobilization tool. There are also concerns among analysts about links between some religious schools in Southern Thailand (Pondoks) and certain madrassas in Pakistan.

Singapore also sees itself as an attractive terrorist target within South East Asia. This was evidenced by the disruption of planned bomb attacks on various Western targets in Singapore in December 2001. The concentrated Western presence in Singapore coupled with its significance as an air and maritime transport hub (with some 1400 ship movements per day) underline these concerns.

The pattern of JI's activities during 2002 culminated in the appalling attacks in Bali on 12 October of that year that resulted in the deaths of 202 people, including 88 Australian citizens and three Australian residents. Subsequent investigations involving the Indonesian National Police, the Australian Federal Police and other regional police and intelligence agencies led to the arrest and trial of a significant number of people within the JI leadership and JI operations. A number, however, remain at large.

The Bali bombings of October 2002 have been followed by the JW Marriott Hotel bombing of August 2003 and the bomb detonated outside the Australian Embassy in September 2004. While the Embassy attack was undoubtedly targeted at Australian interests, it resulted in nine Indonesian fatalities and around 150 people injured, 36 of them seriously. One of the seriously injured was a five year old girl who had just obtained an Australian passport.

The view of IDSS analysts is that these bombings appear to be the product of a core group of 'experts' with specialist knowledge of explosives, bomb making and electronics. These highly specialised JI figures apparently set about recruiting 'foot soldiers' for specific tasks associated with each operation.

Analysts are also concerned about potential changes in the terrorist threat in South East Asia. They worry that exclusive focus on al Qaeda and JI might blind government agencies to the emergence of parallel or even rival terrorist organisations, as has occurred in Iraq and the wider Middle East. Equally, there is concern about potential changes in JI targeting strategies as 'high value' targets are progressively 'hardened'. Analysts warn that it will be critical for future counter-terrorism intelligence efforts to look 'outside the square' rather than assuming that past patterns of behaviour will continue. This, they argue, places an absolute premium on an effectively resourced, properly coordinated and cooperative intelligence effort across the region.

Furthermore, there is growing evidence of the movement of JI personnel across South East Asia. The interrelationship between training bases in various parts of the region and fields of operation in other parts of the region underlines the importance of dealing with JI and al Qaeda on a region-wide basis. It is widely recognised across the region that uncoordinated, national responses to terrorism will ultimately be inadequate in dealing with the terrorist challenge.

### *Recruitment Conditions*

A critical question arises as to how al Qaeda, Jemaah Islamiah and their associated organisations continue to recruit effectively in South East Asia. Beyond the appeal of their original Islamist mission, to understand this phenomenon we must also look to underlying social, economic and political factors in Indonesia and elsewhere which continue to assist these organisations to recruit. We must also look at how these organisations continue to be financed. It is a combination of all these factors that gives rise to the continuing terrorist threat against Australian and other interests across South East Asia.

There is a broad analytical consensus (Gunaratna, Abuza, Tan and Ramakrishna) that the recruiting capacity of these Islamist organisations is affected by prevailing social and economic conditions. Gareth Evans captures well the conceptual distinction between underlying Islamist motivations on the one hand and the recruitment environment within which Islamist terrorists operate on the other:

“The real point of addressing the so-called underlying political and economic causes of terrorism is not to try and destroy the motivation of every individual terrorist; we all know that most of the 9/11 perpetrators were not poor and cared little about the Palestinians, and were driven more by religious rather than political passion as such. Rather it is to neutralise support for terrorists in the communities in which they live and above all to generate the will to act against them and the capacity to act against them by the relevant governments and authorities”.<sup>23</sup>

Abuza speaks about “underlying conditions” including “mass unemployment, especially in Indonesia” and “diminished expectations, frustration and aggression, especially among educated youth”.<sup>24</sup> Gunaratna points to “the failure of the international community to provide more grants and aid to Afghanistan and Pakistan ensuring the support for extremist ideologies and the survival of the al Qaeda leadership”.<sup>25</sup> Meanwhile Tan and

---

<sup>23</sup> Evans, Gareth, *Shifting Security Parameters In The 21st Century*, Address to Emirates Center for Strategic Studies and Research (ECSSR) 9th Annual Conference, Abu Dhabi, 12 January 2004, <http://www/icg.org>. (2004), p.9

<sup>24</sup> Abuza,, Zachary (2003a).

<sup>25</sup> Gunaratna, Rohan (2004).p.20.

Ramakrishna speak of the need for a “dual track” approach in dealing with the problem of Islamism in South East Asia: track one involving “immediate military-operational measures of detecting and eliminating armed terrorist groups and clandestine cells”; track two involving non-military measures aimed at “draining the swamp” that nurtures terrorists.<sup>26</sup>

To this mixture of adverse educational and employment circumstances should be added the increasing radicalisation of Muslim youth by the continued failure of the Middle East peace process and the capacity of terrorists to exploit reverses in the peace process to win support for their cause. Many analysts are concerned about what they perceive to be the incremental ‘Middle Easternisation’ of the politics of Islamic South East Asia. This has been aided by the proliferation of militant religious literature in the madrassas and pesantren in Indonesia, funded in part from Saudi Arabian charitable foundations. More recently, it has been augmented by the electronic communications revolution and the rise of global Islamic news sites such as Al Jazeera.

A third factor now fuelling the radicalisation of Islamic youth is Iraq. Gunaratna in particular is scathing on the impact of the coalition invasion of Iraq on the overall strength of the Islamist cause beyond Iraq. As Gunaratna observes:

“Washington’s decision to intervene in Iraq complicated the security environment rather than reduced the threat of terrorism.”

...

“[A]l Qaeda and its associate groups are aggressively harnessing resentment among Muslims living in the west and elsewhere. In Iraq’s immediate region and beyond the growing anger directed towards the US and its partners has provided Islamist groups with the opportunity to exercise greater influence among Muslim communities.”<sup>27</sup>

Gunaratna’s analysis is shared in part or in whole with other terrorism analysts like Abuza and Clive Williams of the Australian National University. In March 2004, the Commissioner of the Australian Federal Police, Mick Keelty, suggested that the previous Spanish Government’s position on the Iraq war was a contributing factor in Islamic extremists’ targeting of that country.<sup>28</sup>

---

<sup>26</sup> Tan, Andrew and Ramakrishna, Kumar, “The New Terrorism: Diagnosis and Prescriptions”, in Tan, A and Ramakrishna, K (Eds), *The New Terrorism: Anatomy, Trends and Counter-Strategies*, Eastern Universities Press, Singapore, 2002, p.17.

<sup>27</sup> Gunaratna, Rohan (2004), p.22.

<sup>28</sup> During an interview on the *Sunday* program on 14 March 2004, Keelty said: “If this turns out to be Islamic extremists responsible for this bombing in Spain, it’s more likely to be linked to the position that Spain and other allies took on issues such as Iraq.”

## *Terrorist Financing*

Beyond the underlying social, economic and political factors adding to the capacity of terrorist organisations to recruit in various parts of the Islamic world, we must also recognise the continuing impact of the financing of terrorist training and recruitment operations. A core component of this lies in the return of large-scale opium and heroin production to Afghanistan in areas beyond the control of the central Government in Kabul. According to a UN Office on Drugs and Crime (UNODC) survey, the opium-related income of Afghanistan's farmers and traffickers was approximately US\$2.3 billion in 2003 – half the legitimate GDP of that country.<sup>29</sup>

The view of the Afghan Government and Western governments is that a proportion of this 'narco finance' finds its way into the hands of al Qaeda, the Taliban and other terrorist organisations which, since the war, have retreated to the border regions between Afghanistan and Pakistan. The detailed fabric of the financial interconnections between these terrorist organisations and local drug barons and individual poppy farmers paints a disturbing picture for the future. The Afghanistan Government continues to call on the international community for assistance in facilitating alternative livelihoods for the tens of thousands of Afghan poppy farmers who represent a core part of the problem.

A proportion of this terrorist/narco finance from Afghanistan also assists in funding the operations of al Qaeda's associated organisations around the world, including Jemaah Islamiyah in South East Asia. Whereas much of the international effort to date has focused on closing down electronic transfers of finance to suspect organisations, this has not impeded direct cash payments. As Abuza has noted:

“The most direct way that JI is funded is through the deliveries of cash by personal couriers. This is quite literally impossible to stop. According to Malaysian and Singapore intelligence reports, the JI received some RP1.35 billion from al Qaeda since 1996.”<sup>30</sup>

Beyond cash couriers, an additional source of finance for al Qaeda and Jemaah Islamiyah is through the syphoning of funds from various Islamic charities. Again, Abuza concludes:

“Indonesian intelligence officials estimate that 15 to 20 percent of Islamic charity funds are diverted to politically motivated groups and terrorist[s]. In the Philippines, estimates range from 50 to 60 percent”.<sup>31</sup>

---

<sup>29</sup> United Nations Office on Drugs and Crime, *Afghanistan Opium survey 2003*, [http://www.unodc.org/unodc/en/crop\\_monitoring.html](http://www.unodc.org/unodc/en/crop_monitoring.html), October 2003, Preface.

<sup>30</sup> Abuza, Zachary (2003), p.11. This figure amounts to just under A\$206,000 at the 11 August 2004 exchange rate.

<sup>31</sup> Abuza, Zachary (2003), p.12.

Abuza also details the financing role of front companies, gold shops and the impact of the unregulated remittance system known as 'hawala' – an informal banking system based on trust where no records are kept. A 2002 World Bank report estimated the share of hawala transfers as a percentage of total private transfers in 2000 was 5 per cent in the Philippines, 21 per cent in Indonesia and 50 per cent in Pakistan.<sup>32</sup>

The multiple sources of terrorist financing and the inability so far of governments to implement effective regulatory measures to stop the flow of these finances represents a continuing, compounding factor in the overall terrorist threat.

### *Australia as a Terrorist Target*

The overall impact of these various drivers of the global and regional terrorist threat is that Australians will continue to be vulnerable to potential terrorist attacks – both offshore in Islamic South East Asia, as well as onshore in Australia.

The reasons for al Qaeda and Jemaah Islamiah targeting Australia are complex. Osama bin Laden's 1998 'Fatwa' did not refer to Australia, although specific references have been made in subsequent statements. However, Australia's profile as an al Qaeda/Jemaah Islamiah target has obviously increased in recent years. There have been many factors contributing to this – most unavoidable, some avoidable.

A fundamental factor in the overall targeting equation is that Australia is – and is perceived to be – a predominantly Western, Christian country. Second, Australia is a longstanding ally of the US, thereby attracting the interest of al Qaeda under the terms of the 1998 'Fatwa' which specifically referred to the targeting of the 'civilian and military allies' of that country. Third, Australia's direct military engagement in East Timor in 1999 resulted in a specific threat warning against Australia – reportedly by al Qaeda's supreme leadership under Osama bin Laden. A fourth factor in Australia's overall terrorist profiling was our military participation in the Afghanistan war. A fifth and more recent factor has been Australia's participation in the invasion of Iraq as one of only three members of a US-led coalition.

Of these five threat factors, four are not a focus of political disagreement in Australia. The fifth (Iraq) represents a major and recent exception given the impact of the Iraq war on global and regional Islamist sentiment. This was certainly the view taken by AFP Commissioner Mick Keelty when he stated on 14 March 2004:

---

<sup>32</sup> Abuza, Zachary (2003), p. 29.

“The reality is, if this turns out to be Islamic extremists responsible for this bombing in Spain, it’s more likely to be linked to the position that Spain and other allies took on issues such as Iraq.”<sup>33</sup>

Similarly, Dr Zachary Abuza stated on 16 March 2004:

“... Spain was a target because of its bold support for and active participation in the war in Iraq ... the fact is Osama bin Laden used the plight of the Iraqi people as one of the prime examples of the US crusade against Islam.”<sup>34</sup>

This view is reinforced by the open letter signed by the 43 eminent Australian military, intelligence and diplomatic leaders in August 2004 (including two former Chiefs of the Defence Force, two former intelligence heads and four former permanent Secretaries of the Department of Foreign Affairs) which stated:

“Australia has not become safer by invading and occupying Iraq and now has a higher profile as a terrorist target.”

**Fundamentalist, militant Islamism represents a continuing and accelerating change driver in Australia’s overall strategic environment. In the period ahead, the ideological/theological factors driving this threat are likely to become more acute. Intrinsic social and economic factors combined with extrinsic foreign policy factors, if not addressed, are likely to foment an increasingly fertile recruiting ground for Jihadist organisations. And uncontrolled access to financing, unless checked, will enable militant Islamism to expand its global and regional operations. The al Qaeda network, including the al Qaeda terrorist franchise in South East Asia of which JI is a major part, represents a major, continuing threat to regional states and Australia, The regional nature of the terrorist threat also mandates that any effective, long-term strategy for dealing with the terrorist threat must by definition be based on a coordinated regional counter-terrorism strategy. This is particularly critical for Australia given the 1,573,785 Australians who visited South East Asia in 2002-2003 and the 45,868 Australians resident in South East Asia in the same year<sup>35</sup>. This need is underlined by the fact that Australia is now a greater terrorist target than it otherwise would be because of certain policies of the Howard Government.**

### 3. Proliferation of Nuclear, Biological and Chemical (NBC) Weapons

<sup>33</sup> These comments were made during an interview on the *Sunday* program.

<sup>34</sup> *Sydney Morning Herald*, 16 March 2004.

<sup>35</sup> Department of Foreign Affairs and Trade submission to the Senate Legal and Constitutional Committee’s *Inquiry into Australian Expatriates*, February 2004, p.6.

The global threat from the proliferation of nuclear, biological and chemical (NBC) weapons and the ballistic missile systems that can deliver them remains the greatest threat to global security. This is because of the absolute magnitude of the destructive powers that these weapons systems contain – particularly nuclear weapons, which remain without parallel in terms of their destructive capability. The proliferation threat and efforts to contain it will continue to be a critical change driver in the period ahead. Proliferation pressures will continue to grow for four fundamental reasons:

- The technology that underpins the production of NBC weapons is becoming more accessible to both state and non-state actors.
- The changing nature of warfare and the increased importance of non-state actors are making asymmetric threats with potential access to unconventional weapons more common.
- The breakdown of the international consensus on the value and applicability of existing non-proliferation regimes is undermining multilateral efforts to stem the proliferation tide.
- Continued governance and capacity problems in certain NBC stockpile nations.

Advances in science and technology are making chemical and biological weapons more accessible and more attractive to a wider range of actors. The biotechnology revolution increases the number of states and individuals with knowledge of biological agents and materials. Much of this activity is difficult to distinguish from legitimate civilian research, which further complicates non-proliferation efforts. Similarly, the production of most chemical precursor agents can be disguised within a commercial setting. The recent exposure of the proliferation network established by the Pakistani nuclear scientist, Dr A Q Khan, shows both supply and demand factors at work in contemporary proliferation activities. Through his close association with the Pakistani nuclear program, Khan was able to sell nuclear weapons technology to a range of countries including North Korea, Iran and Libya.

The potential terrorist threat from NBC weapons is real and immediate. In his testimony before the US Congress in February 2004, the former Director of the US Central Intelligence Agency (CIA), George Tenet, has repeated the US intelligence community's assessment that "al-Qaida and more than two dozen other terrorist groups are pursuing CBRN (chemical, biological, radiological and nuclear) weapons".<sup>36</sup> Al Qaeda and its affiliates have reportedly made several attempts to acquire highly enriched uranium. So far, such efforts have not been successful.

---

<sup>36</sup> Tenet, George, *The Worldwide threat 2004: Challenges in a Changing Global Context*, Testimony of the Director of the Central Intelligence Agency before the US Senate Select Committee on Intelligence, Washington DC, 24 February 2004 (<http://www.cia.gov>).

## *Global Nuclear Stockpiles*

Under the terms of the 1968 Non-Proliferation Treaty (NPT) there are five declared nuclear weapon states: the US, Russia, the United Kingdom, France and China. Outside the NPT regime there are five other countries with known or suspected nuclear weapon programs. These include the two 'self-declared' nuclear powers (India and Pakistan).

The total number of nuclear warheads in the world has decreased since the end of the Cold War and will probably continue to decrease over the next few decades as the US and Russia reduce their stockpiles under the 2002 Strategic Offensive Reductions Treaty (SORT). Overall, the five declared nuclear powers currently have more than 20,000 nuclear warheads in their arsenals. The vast majority of these (96 per cent) are in U.S. or Russian stockpiles.<sup>37</sup>

According to the Bulletin of the Atomic Scientists, the US currently deploys approximately 5,800 strategic nuclear warheads on its triad of land-based missiles, submarines, and bombers. Washington is also estimated to have approximately 1,100 tactical nuclear warheads and more than 3,700 nuclear warheads in spare and reserve stockpiles.

Russia currently deploys an estimated 4,400 strategic nuclear warheads on its triad of land-based missiles, submarines, and bombers. Russia also deploys an estimated 3,400 tactical nuclear weapons and is believed to have stockpiled another 10,000 strategic and tactical nuclear warheads.

Under the SORT agreement, Washington and Moscow have agreed to reduce active nuclear weapon stockpiles to between 1,800 and 2,200 each by 2012. However, concerns have been raised over the specific terms of the treaty and the fact that, unlike previous strategic arms reduction treaties, the SORT agreement does not require any warheads or delivery vehicles to be destroyed. In addition, there is no requirement for the joint verification of warhead reductions.

Britain and France will probably maintain the size of their nuclear forces for the foreseeable future. In July 1998, the UK Government declared that there would be 'fewer than 200 operationally available warheads' of which 48 warheads would be on patrol at any given time on Vanguard-class ballistic missile submarines. France maintains approximately 350 nuclear warheads on sea-launched ballistic missiles.

The nuclear inventories of China, India, and Pakistan are small by comparison, but all will probably be expanded in the next decade. China is modernising its strategic nuclear force with planned deployments of new road-mobile DF-31 ICBMs and upgraded command, control and

---

<sup>37</sup> Figures quoted in this section are from the NRDC Nuclear Notebook, *Bulletin of the Atomic Scientists*, Vol 58, no.6, November/December 2002, pp.103-104.

communications facilities. According to US intelligence estimates, China's small strategic deterrent force is likely to increase in both size (to several tens of missiles) and reliability over the next 15-20 years. India and Pakistan have fewer than 100 nuclear warheads between them, most of which are not operationally deployed. Both countries have sufficient fissile material to increase the size of their nuclear stockpiles over the next decade.

Israel has neither confirmed nor denied possession of nuclear weapons, although a number of international analysts have concluded that Israel is a *de facto* nuclear power.<sup>38</sup> North Korea is estimated to have produced enough plutonium for 3-4 nuclear weapons from its Russian-supplied reactor at Yongbyon.

#### Global Nuclear Stockpiles 2002<sup>39</sup>

Country	Strategic	Tactical	Reserve	Total
United States	5,800	1,100	3,700	10,600
Russia	4,400	3,400	10,000	17,800
Britain	200			200
France	350			350
China	20	380		400
India		30-50		30-50
Pakistan		30-50		30-50

#### *Chemical and Biological Weapon Stockpiles*

Biological weapons disseminate pathogens or toxins to cause disease or death in human, animal and plant populations. The most likely agents for use in an offensive biological weapons program include anthrax, smallpox, botulinum toxin and ricin.

---

<sup>38</sup> For example, the Federation of American Scientists website:  
<http://www.fas.org/nuke/guide/israel/nuke/index.html>.

<sup>39</sup> Source: NRDC Nuclear Notebook, *Bulletin of the Atomic Scientists* vol. 58 no. 6, November/December 2002, pp. 103-104. This source also provides its own estimates of Israeli and DPRK nuclear capabilities.

Chemical weapons are lethal poisons that can be disseminated as gases, liquids or aerosols. Chemical agents that have been used in previous weapons programs include choking agents such as chlorine and phosgene; vesicants such as mustard gas; and nerve agents such as sarin, tabun and VX.

Global stockpiles of chemical and biological weapons (CBW) are difficult to estimate accurately. Several countries are known or suspected of having active CBW programs. According to the Center for Non-Proliferation Studies in California, countries most likely to maintain an active CBW research program include China, Egypt, Iran, Libya, North Korea, Russia and Syria.<sup>40</sup> Under the terms of the 1993 Chemical Weapons Convention and the 1972 Biological Weapons Convention, states are allowed to maintain small stocks of chemical and biological agents for defensive purposes. However, there is in practice a problem in accurately differentiating between defensive CBW research and an offensive CBW program.

### *Proliferation Responses*

The global regimes established during the Cold War to stop the proliferation of nuclear, biological and chemical weapons are under stress. The nuclear tests in South Asia in 1998, North Korea's withdrawal from the NPT (the Nuclear Non Proliferation Treaty) and the nature of Iran's nuclear program created significant challenges to the current array of arms control instruments dealing with NBC proliferation. Moreover, the UN body established to negotiate new arms control agreements, the Conference on Disarmament in Geneva, has become increasingly ineffective through the absence of political leadership. There is currently no momentum towards the negotiation or finalization of international agreements such as the Comprehensive Nuclear Test Ban Treaty, the Fissile Material Cut-Off Convention and a verification protocol to the Biological Weapons Convention.

At the other end of the spectrum, direct counter-proliferation measures are receiving greater attention. The Proliferation Security Initiative (PSI) aims to disrupt illegal trade in WMD-related materials involving states of proliferation concern and terrorist groups. The initiative was launched by President Bush in May 2003 and has attracted broad international support. Although around 60 countries have indicated support for the PSI, only around a dozen countries have participated in joint training exercises. Australia led the first joint maritime exercise in October 2003. Further joint operations are planned for the interdiction of illegal NBC cargo using air, sea and ground transportation. The PSI is still at an early stage.

PSI participants are currently discussing how best to deepen cooperation, broaden international support for the initiative and implement specific proposals. Concerns have been expressed in some quarters about the

---

<sup>40</sup> This Center maintains CBW databases which can be accessed through its website: <http://cns.miis.edu> .

consistency of certain PSI-related activities with international maritime law relating to the interdiction of vessels on the high seas. Individual countries have opted to structure their participation in PSI in different ways to accommodate these concerns.

The US continues to lead the international community on programs to reduce the danger of NBC weapons in the former Soviet Union. Under the 1991 Nunn-Lugar Co-operative Threat Reduction Program, the US Department of Defense provides equipment, services, and technical advice to Russia, Belarus, Kazakhstan and Ukraine to assist in the elimination (or in the case of Russia, reduction) of weapons of mass destruction and the dismantling of associated infrastructure. After 10 years of operation, the program had deactivated 6,312 nuclear warheads and destroyed 537 ballistic missiles, 128 bombers, 496 submarine-launched missiles and 27 strategic missile submarines. Tens of thousands of scientists formerly employed in the Soviet Union's weapons of mass destruction programs have been re-deployed into civilian jobs.<sup>41</sup>

Until the late 1990s, Australia had been at the forefront of international non-proliferation efforts. Previous Australian governments were instrumental in gaining broad international support for the establishment of export control regimes (such as the Australia Group) and the negotiation of binding international legal agreements (such as the 1993 Chemical Weapons Convention). As a result, Australia's non-proliferation credentials remain strong, despite the current Government's relative inertia in relation to the global disarmament agenda. These credentials should be used to foster a new international consensus on the appropriate next steps in arms control and counter-proliferation.

The first priority must be to ensure universal compliance with existing non-proliferation regimes. These regimes provide the foundation for a range of non-proliferation initiatives including the monitoring, verification and inspection activities of the International Atomic Energy Agency and the Organisation for the Prohibition of Chemical Weapons. The negotiation of a binding international verification protocol to the Biological Weapons Convention must also be given a high priority. Along the proliferation response spectrum - from international legal instruments through to robust counter-proliferation measures - greater balance and consistency of effort is needed. The aim must be to achieve a comprehensive approach utilizing each of the available non-proliferation tools.

It is nearly a decade since the Canberra Commission handed down its final report on the growing dangers of nuclear proliferation. But the Commission's findings remain as valid as ever. As the Commission stated: "The proliferation of nuclear weapons is amongst the most immediate security

---

<sup>41</sup> Information on the Nunn-Lugar Program is presented in Senator Lugar's website: <http://lugar.senate.gov/nunnlugar.html>.

challenges facing the international community".<sup>42</sup> Meeting that challenge, and the associated threat from biological and chemical weapons, must be a global endeavour involving all states.

**Nuclear, biological and chemical weapons (NBC) proliferation remains the greatest threat to global security and will continue to be a significant change driver in the period ahead. Proliferation pressures are likely to continue as technology becomes more accessible. Demand from a small number of states and non-state actors (including terrorist organizations) remains strong, and shortcomings of existing counter-proliferation arrangements are not being adequately addressed. An effective, comprehensive and multi-level international response - addressing proliferators' incentives, opportunities and costs - will be necessary to control and reduce the threat of NBC weapons. This response should include strengthened multilateral instruments and well-targeted initiatives, including the PSI. Australia is well placed to take an active role in this process, given our strong disarmament and counter-proliferation credentials.**

#### 4. Globalisation

Over recent decades, globalisation has had a profound influence on the world economy and international security. Globalisation is manifested in accelerating cross border flows of goods, services, capital, ideas and information. It is characterised by the continued contraction in space and time in the conduct of economic transactions between individuals, firms and economies.

Globalisation - and the closer economic integration it has fostered - has lifted millions of people out of poverty in the developing world, helped raise living standards and the quality of life in rich countries and profoundly changed the way countries, businesses and people interact.

However, globalisation's benefits have not been shared by all. While China, the rapidly industrialising countries of East Asia and parts of India have recorded significant economic gains, most of Africa and large parts of Asia and Latin America have not. Within many developing countries sharp economic disparities persist, distorting economic and political life. And on September 11 2001, we saw how extremist groups can exploit some of the new, globalising technologies to great destructive effect.

If globalisation is to fulfil its potential as a powerful force for prosperity and stability around the world, policy makers - internationally, regionally and at the national and even local levels - will need to manage this phenomenon effectively to maximise the upsides and minimise the downsides for

---

<sup>42</sup> Canberra Commission, Report of the Canberra Commission on the Elimination of Nuclear Weapons, <http://www.dfat.au/cc/cchome.html>, 1996, Executive Summary.

individual economies and communities. If political elites fail to manage the globalisation process in a manner that sustains overall community support, political resistance could broaden and deepen over time. Managing the social and environmental impact of globalisation represents a key challenge for the period ahead.

Globalisation and the growth it fosters will continue to shape the international economy and security environment. The relative economic weight of countries and regions will shift. Most long-term projections envisage the US retaining its economic pre-eminence. There is a broad consensus that China and the rest of East Asia's relative economic weight will increase. The long-term economic prospects of the EU will depend on the pace of further integration and policy reform. Latin America's performance is expected to continue to be uneven. And Africa is expected to continue to struggle with its deep-seated economic, social and political problems.

In 2000, a set of long-term growth projections for regional and national economies was published by the US National Intelligence Council (NIC). These are based on a long-term growth model developed by the CIA. The graph shown below illustrates GDP by major economy (measured in Purchasing Power Parity terms) in both 2000 and 2015.<sup>43</sup> It indicates that by 2015, China could have passed the EU as the world's second largest economy.

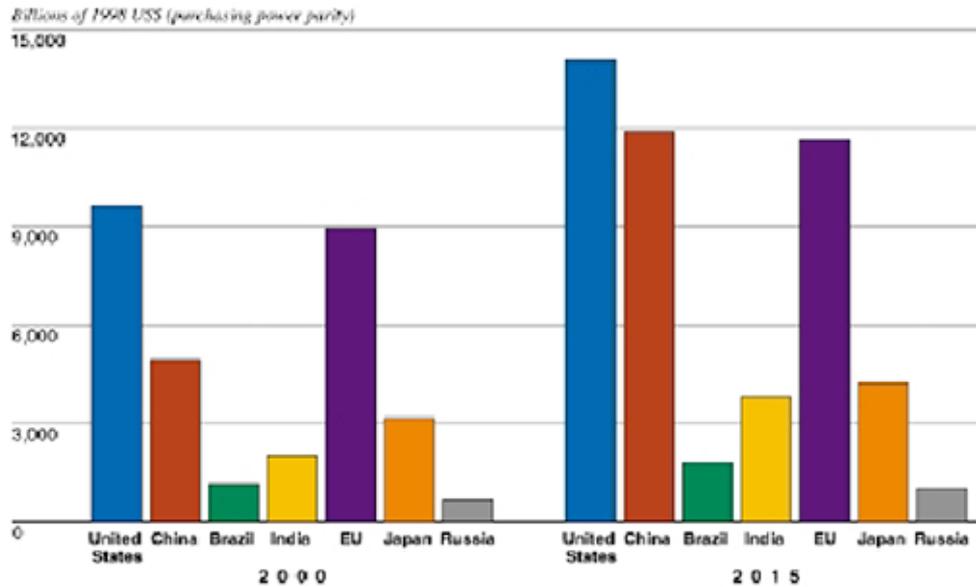
Long-term economic projections like these should always be interpreted with great caution. They are presented here for indicative purposes only to emphasise that global growth and economic change can be expected to affect countries and regions in different ways. The actual path taken by the world economy over the next decade will be affected by a range of factors, including investment rates and patterns, technological change, labour force trends, income and consumption trends, resource trends, overall economic policy frameworks and exogenous shocks (including war, terrorist attacks and natural disasters).

Other growth projections produce less dramatic changes in national economic relativities, although a common theme to them all is the rapidly increasing regional and global economic significance of China.

---

<sup>43</sup> National Intelligence Council, *Global Economic Trends 2015: A Dialogue About the Future With Non-government Experts*, December 2000, pp.35, 37.

## GDP by Major Countries and the EU: 2000 and 2015

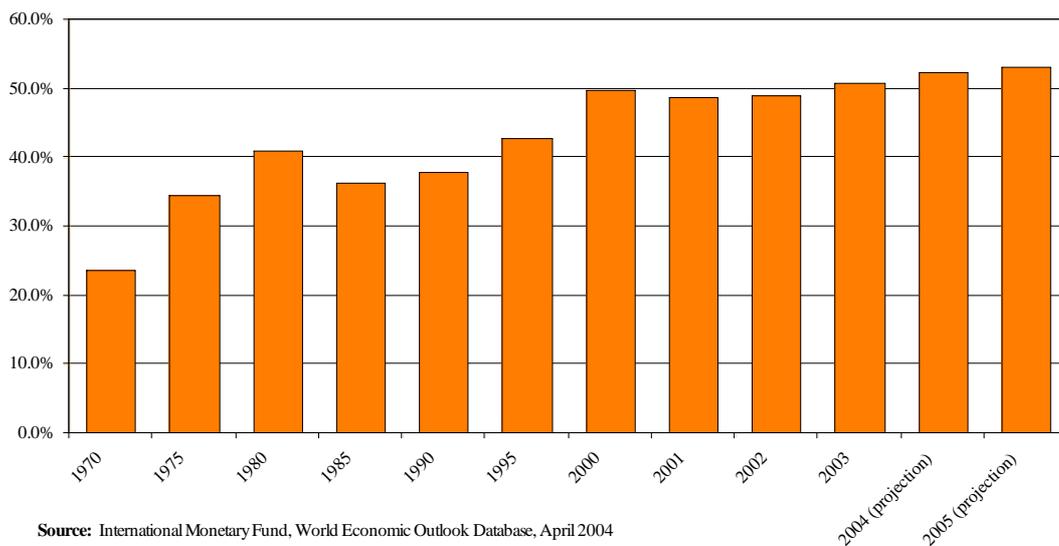


Source: CIA's Long-Term Growth Model.

DI Design Center 375964AJ 10-00

International trade and investment flows have been, and will continue to be, key drivers of globalisation. According to the IMF, world trade as a proportion of global GDP increased from 23.6 per cent in 1970 to 50.9 per cent in 2003.<sup>44</sup>

### WORLD TRADE Proportion of World GDP



Source: International Monetary Fund, World Economic Outlook Database, April 2004

<sup>44</sup> International Monetary Fund, *World Economic Outlook Database*, April 2004.

This share will continue to increase if recent trade and GDP trend rates persist. At some point, however, it will stabilise – recognising that some economic activity cannot be conducted across borders. Global investment flows, falling transport costs and improvements in communication technology have reshaped global supply, production, and marketing patterns. These trends are likely to continue, resulting in a more integrated and interdependent global economy.

Globalisation's future will also be shaped by the institutional arrangements countries put in place to foster it. Over recent decades, the range, reach and complexity of international efforts to deal with globalisation's challenges have steadily increased. As noted above, policy making at the national level has become more difficult, as traditional dividing lines between international and domestic policy have fallen away. Globalisation will continue to place demands on national and international economic governance. The effectiveness, cohesion, transparency and responsiveness of multilateral institutions will continue to be questioned. Pressures for reform will not abate.

The World Trade Organisation (WTO) will have a key role to play. Successive rounds of liberalisation under the General Agreement on Tariffs and Trade underpinned decades of growth and prosperity in the post-World War II period. General liberalisation of global trade rules (most critically in agriculture) will be necessary if the gains from globalisation are to be sustained and enhanced. A comprehensive outcome from the current Doha Round of WTO negotiations would generate significant gains for the global economy. The removal of agricultural subsidies and restrictions would particularly benefit developing countries – allowing farmers in these countries to begin to trade their way out of poverty. Australian farmers would also benefit.

The proliferation of bilateral and regional trading arrangements in recent years has complicated the global trading environment. According to the 2003 WTO Annual Report, there were 240 regional trading arrangements (RTAs) in force in 2002 with a further 60 expected by 2005. As at June 2002, the only economies which had not become members of an RTA were Japan, Hong Kong, Macau and Mongolia.<sup>45</sup> The Asia Pacific region has been a focus of this activity, with a raft of regional FTAs in place or being negotiated.

Free trade agreements which remove barriers to trade on a preferential basis are by their nature discriminatory. They can create trade (by removing barriers between the signatories) and they can divert it (by discriminating against the exports of excluded countries). Their internal rules and procedures, when taken together, can also complicate the international trading system. Depending on how they are structured, FTAs can help spur wider trade liberalisation or they can hinder it. The potential positive impact of FTAs is recognised in the WTO's rules, which allow for agreements which

---

<sup>45</sup> World Trade Organisation, *WTO Annual Report 2003*, p.26.

eliminate tariffs and other restrictions on 'substantially all trade.' Discriminatory trade agreements will continue to be struck by economic partners – not only for their economic benefits, but for wider political and strategic reasons. It will be important for the international community to ensure they contribute to a more open world trading system rather than a 'Balkanised' one. Effective monitoring and regulation of FTAs at the multilateral level will be necessary.

The global economic governance challenge will not be limited to trade. Multilateral arrangements dealing with a raft of security, environmental, development, humanitarian and other social questions will become increasingly important over time. While the nation state will continue to be the 'basic unit' of international affairs, states' interaction with supra-national institutions (regional, multilateral and purpose-built coalitions) and non-state actors (multinational corporations, global non-government organisations) will account for a growing share of foreign policy attention.

**Global flows of goods, services, capital, people, ideas and technology will continue to shape the world economy and international security environment. The US is likely to retain its economic dominance. East Asia's economic profile can be expected to increase, with China leading the way. A more globalised, interdependent world will be a powerful force for poverty reduction and prosperity, although its impact will be uneven. An increasingly interdependent world will also, however, be more vulnerable to economic shocks and other sources of economic instability, including global terrorism. Managing these opportunities and vulnerabilities will place increasing demands on national policy makers as well as the institutions of global governance.**

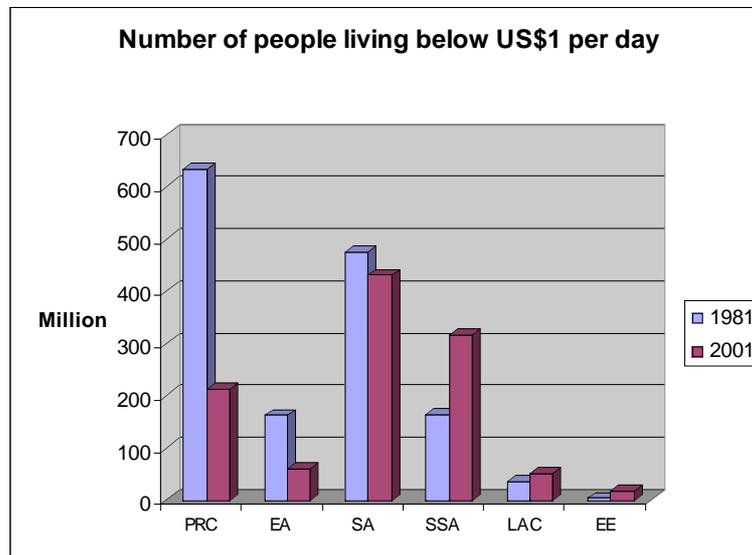
## 5. Global Poverty

The most important challenge posed by globalisation is to ensure its benefits are enjoyed by all countries and regions. Global growth has lifted millions of people out of poverty, particularly in China and India.

The fundamental conditions for sustained economic growth for developing countries include strong systems of governance and a commitment to trade liberalisation. Developing countries with incompetent, corrupt and unresponsive governments, no rule of law and a weak entrepreneurial base generally fail to generate growth and improve the living standards of their people. The same is generally true of developing countries that have sheltered behind excessive protectionist barriers.

Recent research by staff at the World Bank indicates that from 1981-2001, the percentage of the world's population falling below its poverty line (US\$1 a day, adjusted over time for price and exchange rate movements) fell from 40 per cent to around 21 per cent. This translates into a fall in the number of

people in poverty from 1.5 billion to 1.1 billion.<sup>46</sup> As the following chart shows, there has been a significant change in the pattern of global poverty over this period.<sup>47</sup>



The number of poor in China (PRC), the rest of East Asia (EA), and South Asia (SA) fell between 1981 and 2001, with the first two recording the most significant improvements. Over the same period, Latin America and the Caribbean (LAC) and Eastern Europe and Central Asia (EE) recorded slight increases in poverty. The number of poor in Sub-Saharan Africa almost doubled.

Over the past century, evidence suggests global inequality has increased. According to one analysis, at the end of the 19<sup>th</sup> century the average income of the richest country in the world was nine times higher than that of the world's poorest country. This gap increased to 30 times in 1960 and has reached more than 60 today.<sup>48</sup> It reflects the fact that the benefits of globalisation have not reached long-stagnant economies in Africa and elsewhere in the developing world. The experience of successful developing countries shows that this problem needs to be addressed at the national level (through implementation of sound policies, improved institutions and higher standards of governance) with the international community (through aid, trade, investment and other

<sup>46</sup> Chen, S and Ravallion, M, 'How have the world's poorest fared since the early 1980s?', Development Research Group, World Bank, [http://www.worldbank.org/research/povmonitor/MartinPapers/How\\_have\\_the\\_poorest\\_fared\\_since\\_the\\_early\\_1980s.pdf](http://www.worldbank.org/research/povmonitor/MartinPapers/How_have_the_poorest_fared_since_the_early_1980s.pdf), 2004, p.14.

<sup>47</sup> This chart is adapted from data presented in Chen S and Ravallion M (2004), Table 3, p. 29. The figures quoted here are estimates only. The authors point out that poor quality underlying data, methodological questions and the intrinsic limitations of welfare measures used should be taken into account when interpreting them.

<sup>48</sup> Birdsall, N, *Asymmetric Globalization: Global Markets Require Good Global Politics*, Center for Global Development Working Paper No.12, October 2002, p.5.

flows) playing a supporting role. Increased flows of development assistance from rich countries must be part of this effort.

Poverty, communicable diseases like HIV-AIDS, lack of access to basic education and health, infant mortality, corrupt governments and lack of respect for human rights dominate the lives and aspirations of millions in the developing world. In the previous section, we saw that while some countries and regions had lifted themselves out of poverty, others have been excluded. This uneven development record is an urgent humanitarian problem, deserving action in its own right. It has also complicated, and in some cases undermined, global security.

While poverty and frustrated development aspirations are not direct causes of instability and conflict, they interact with other factors – corrupt and collapsing states, long-running regional conflicts, religious extremism and trans-national criminal networks – to create volatile and potentially explosive environments. In an increasingly globalised world, the consequences of this instability can be felt around the world.

Development failures affect Australians in more direct ways. Infectious diseases, environmental disasters and humanitarian crises do not stop at the borders of developing countries. The recent outbreak of SARS in South East Asia underscored Australia's vulnerability to the consequences of infectious disease in our own region.

A set of clear, time-limited development goals and commitments was endorsed by world leaders in the Millennium Declaration issued in September 2000. These Millennium Development Goals (MDGs) and their associated targets are set out below.<sup>49</sup> Brief comments on progress achieved to date are also offered, drawing on UN Secretary-General Annan's September 2003 Millennium Declaration Implementation Report<sup>50</sup>, an April 2002 World Bank study<sup>51</sup> and other sources. These provide an insight into the dimensions of the global development challenge.

#### Goal 1: Eradicate Extreme Poverty and Hunger

Target: Halve, between 1990 and 2015, the proportion of people whose income is less than US\$1 a day.

Target: Halve, between 1990 and 2015, the proportion of people who suffer from hunger.

---

<sup>49</sup> These are reproduced from the following website, <http://www.developmentgoals.org/Goals.htm>.

<sup>50</sup> Report of the UN Secretary-General, *Implementation of the United Nations Millennium Declaration*, 2 September 2003, pp.9-13.

<sup>51</sup> Devarajan, S, Miller, M and Swanson, E, *Goals for Development: History, Prospects and Costs*, World Bank, April 2002.

Comment: With strong growth in China and India, Asia is well placed to meet these targets. Average growth rates in Sub-Saharan Africa, Latin America and elsewhere in the developing world remain below what is required to achieve this target.

#### Goal 2: Achieve Universal Primary Education

Target : Ensure that all children are able to complete their primary education by 2015.

Comment: While data on developing country enrolment rates are often incomplete, progress towards this goal has been achieved in almost all regions. Falls in formerly high enrolment ratios in parts of East Asia since 1990 and continuing low enrolments in Africa are potentially worrying trends.

#### Goal 3: Promote Gender Equality and Empower Women

Target: Eliminate gender disparity in primary and secondary education by 2005, if possible, and in all levels of education by 2015.

Comment: Gender differences within primary education have been reduced in a number of developing countries. Girls' enrolments remain low in parts of Sub-Saharan Africa and South Asia.

#### Goal 4: Reduce Child Mortality

Target: Reduce under 5 mortality by two thirds between 1990 and 2015.

In the 1990s, most regions reduced under 5 mortality rates, but in Sub-Saharan Africa there was no significant improvement and in parts of South Asia and the Pacific progress remains too slow. Secretary-General Annan notes that nearly 11 million children die each year before their 5<sup>th</sup> birthday, most from preventable diseases.

#### Goal 5: Improve Maternal Health

Target: Reduce maternal mortality by three-quarters between 1990 and 2015.

Comment: This indicator cannot yet be reliably measured in many developing countries. Differences between regions are large and the available evidence suggests progress is too slow. Women are 175 times more likely to die in child birth in Sub-Saharan Africa than in a developed country.

#### Goal 6: Combat HIV/AIDS, malaria and other diseases

Target: To have halted and started to reverse the spread of HIV/AIDS, malaria and other major diseases by 2015.

Comment: In its recently-released 2004 Annual Report, UNAIDS points out that the AIDS epidemic “continues to outpace” the global response.<sup>52</sup> An estimated 25 million people are living with AIDS in Sub-Saharan Africa - almost two thirds of all people living with AIDS.<sup>53</sup> In 2003 alone, an estimated 3 million people became newly infected and 2.2 million died in this region. UNAIDS reports that the epidemic is “expanding rapidly” in Asia - including China, Indonesia and Vietnam. An estimated 7.4 million people are living with HIV in the region and 1.1 million (i.e. a population equivalent to Brisbane) became newly infected last year.<sup>54</sup>

According to the World Health Organisation (WHO), an estimated 1.8 million people died from tuberculosis in 2002. South East Asia (625,000 deaths), Africa (556,000) and the Western Pacific (373,000) were the most affected regions. Tuberculosis interacts with HIV/AIDS in devastating ways. People who are HIV-positive are much more likely to become sick when infected with tuberculosis than those who are HIV-negative. According to the WHO, tuberculosis is the leading cause of death of those with HIV/AIDS worldwide, accounting for 13 per cent of all AIDS-related deaths. In Africa, HIV/AIDS is the most important factor behind increased incidence of tuberculosis over the past decade.<sup>55</sup>

Malaria continues to take a high human toll in developing countries, particularly Sub-Saharan Africa. According to the WHO, the roughly 300 million acute cases of malaria each year result in more than 1 million deaths around the world. Around 90 per cent of these fatalities occur in Africa. The WHO points out that malaria is the leading cause of child mortality in Africa and accounts for 10 per cent of this continent’s overall disease burden. Malaria costs Africa more than US\$12 billion in lost GDP each year.<sup>56</sup>

#### Goal 7: Ensure environmental sustainability

Target: Integrate the principles of sustainable development into country policies and reverse the loss of environmental resources.

Target: To have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers.

---

<sup>52</sup> UNAIDS, 2004 Report on the Global AIDS Epidemic, 2004, Executive Summary, p.3.

<sup>53</sup> UNAIDS (2004), p.6.

<sup>54</sup> UNAIDS (2004), p.5.

<sup>55</sup> World Health Organisation, *Fact Sheet No.104: Tuberculosis*, <http://www.who.int>.

<sup>56</sup> World Health Organisation, *Fact Sheet No.94: Malaria*, <http://www.who.int>.

Target: Halve the number of people without access to safe drinking water and basic sanitation by 2015.

Target: To have significantly improved the lives of at least 100 million slum dwellers by 2020.

Comment: In 2000, 1.2 billion people lacked access to an improved water source - 40 per cent of these people live in East Asia and 25 per cent in Sub-Saharan Africa. South Asia, the Middle East and North Africa, however, are thought to be on track to meet this goal. Little or no progress has been apparent in improving access to sanitation in developing regions.

Goal 8: To develop a global partnership for development

Target: To develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development and poverty reduction - both nationally and internationally).

Target: Address the special needs of the least developed countries (including through debt relief, tariff and quota free access and more generous aid for countries committed to poverty reduction).

Other targets under this goal deal with the special needs of landlocked countries and small island developing states, youth unemployment, access to affordable drugs for developing countries, and dissemination of the benefits of new technologies.

Comment: Key contributors to the attainment of these partnership targets will be: a comprehensive outcome of the Doha Round of WTO negotiations which delivers substantial benefits to developing countries; continued provision of debt relief under the World-Bank/IMF Heavily Indebted Poor Countries (HIPC) initiative; and increased financing for development under the Monterrey Consensus (adopted at the March 2002 International Conference on Financing for Development, held in Monterrey Mexico).

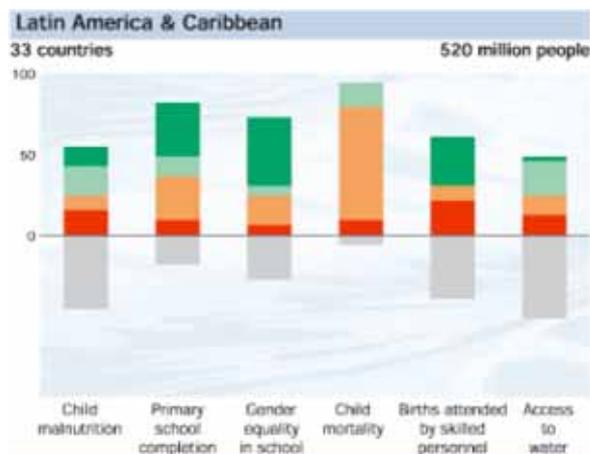
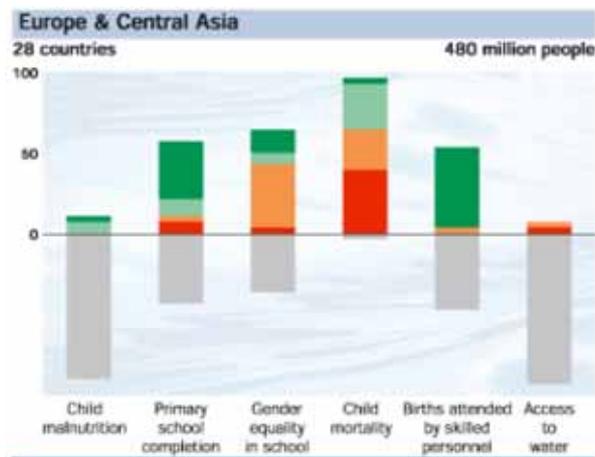
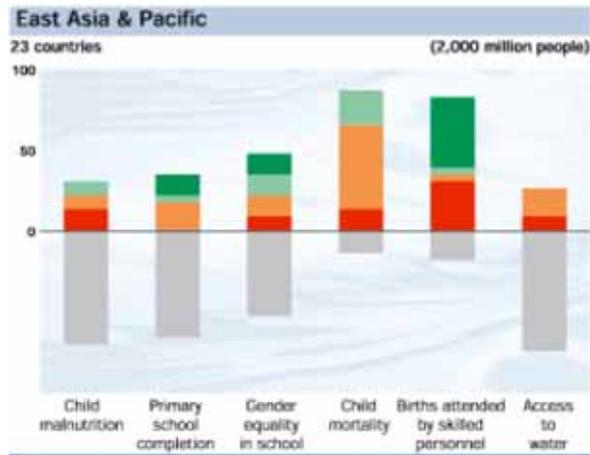
The following graphs (reproduced from the World Bank) illustrate progress each region is achieving against the MDGs.<sup>57</sup>

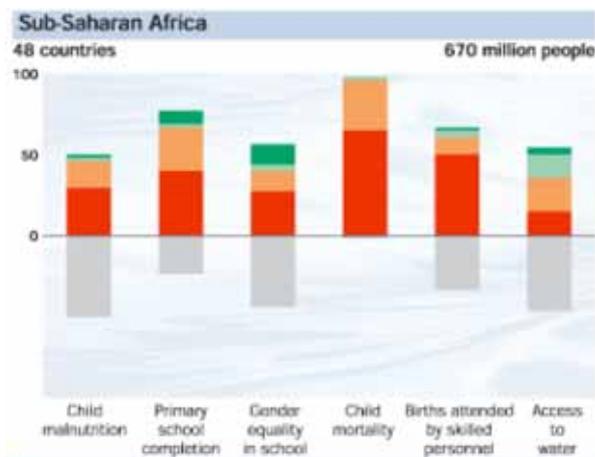
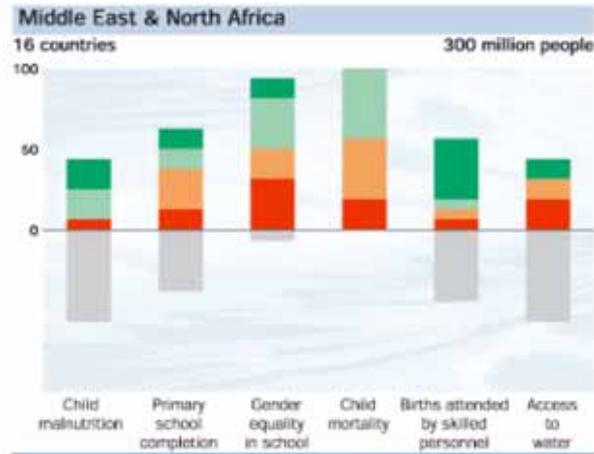
- Countries (and populations) shown in green are assessed to be likely to achieve the MDGs.
- Those shown in light green made some progress during the 1990s, but at too slow a rate to meet the targets within the specified time periods.

---

<sup>57</sup> Charts are drawn from the following website:  
<http://www.developmentgoals.org/rcharts.htm>.

- Those shown in orange are assessed as unlikely to meet the goals on current trends.
- Those shown in red are assessed as highly unlikely to achieve the goals.
- Those shown in grey lack adequate data to properly assess progress.





From these graphs, it is clear that all regions include countries which – on present trends – are highly unlikely to reach the MDGs. The greatest concentration of these is in Africa.

**Development failures destroy millions of lives in poor regions of the world. These can interact with other factors (weak and failed states, long-running conflicts, religious extremism) to create unstable environments,**

**undermining regional and possibly global stability. Meeting the MDGs on time will require improved policies and institutions in developing countries and the mobilisation of additional resources from developed countries – through well designed aid programs, debt relief, private investment flows and enhanced trading opportunities through global trade liberalisation.**

## 6. Human Rights – Global Political Freedom

Human rights violations continue to blight the lives of millions of people throughout the world. These violations take a variety of forms, including the violent repression of whole populations (culminating in genocide), the failure of governments to allow their citizens basic political freedoms, the arbitrary exercise of state power, the repression of women, ethnic and religious minorities and the exploitation of children. Regional conflicts, civil wars and terrorist acts also undermine human rights, both directly and indirectly.

Internationally accepted human rights norms and standards are embodied in an extensive array of UN treaties covering civil and political rights, economic and social rights, gender and racial discrimination, the prevention of torture and the rights of children and migrant workers. According to the Office of the UN High Commissioner for Human Rights, all 191 UN member states are party to one or more of the following:<sup>58</sup>

- The Universal Declaration of Human Rights.
- The International Covenant on Civil and Political Rights (CCPR) (152 states).
- The International Covenant on Economic, Social and Cultural Rights (CESCR) (149).
- The Optional Protocol to the International Covenant on Civil and Political Rights (CCPR-OP1) (104).
- The Second Optional Protocol to the International Covenant on Civil and Political Rights, aimed at the abolition of the Death Penalty (CCPR-OP2-DP) (50).
- The International Convention on the Elimination of All Forms of Racial Discrimination (CERD) (169).
- The Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) (177).
- The Optional Protocol to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW-OP) (60 – excluding Australia).
- The Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment (CAT) (136).
- The Convention on the Rights of the Child (CRC) (192).

---

<sup>58</sup> Office of the UN High Commissioner for Human Rights, *Status of Ratifications of the Principal Human Rights Treaties* (as of 9 June 2004). The Universal Declaration of Human Rights is not listed in this document.

- The Optional Protocol to the Convention on the Rights of the Child on the involvement of children in armed conflict (CRC-OP-AC) (72).
- The Optional Protocol to the Convention on the Rights of the Child on the sale of children, child prostitution and child pornography (CRC-OP-SC) (73).
- The International Convention on the Protection of the Rights of All Migrant Workers and Members of their Families (MWC).

A number of treaties dealing with human rights have been concluded outside the UN system – most critically the Geneva Conventions signed on August 12 1949. These conventions deal with the treatment of civilians, prisoners and wounded and sick service-people at times of war. In 1977, additional Protocols were concluded extending Geneva Convention protections to victims of internal conflicts and wars against ‘racist regimes, wars of self determination and against alien oppression.’

This extensive human rights legal architecture is supplemented by a range of monitoring and enforcement arrangements to ensure countries meet their specific commitments. In recent decades, there have been numerous examples of these arrangements being bypassed, compromised or ignored – allowing persistent human rights violators (some guilty of crimes against humanity) to remain unpunished. However, there are some encouraging signs that this enforcement gap is being addressed. Positive recent developments include: the establishment of the International Criminal Court; the creation of ad hoc tribunals to try crimes committed in Rwanda, the former Yugoslavia and Sierra Leone; and recognition on the part of the UN that some of its monitoring arrangements need to be improved, including the Commission on Human Rights.<sup>59</sup>

Human rights violations should always be a matter of humanitarian concern, but they also have broader implications. Systematic violations can undermine the stability of whole countries and regions, fuel conflicts, encourage extremism and destabilise economies – all of which have consequences for the international community. The rise of global terrorism, marked by the September 11 attacks, represents a further threat to human rights. As Amnesty International points out, terrorists abuse human rights and violate international law.<sup>60</sup> At the same time, actions taken by governments to combat terrorism should not be used as a ‘cover’ for human rights violations. The US State Department has expressed concern about “authoritarian governments” attempting to “justify old repression by cloaking it as part of the new ‘war on terror’”.<sup>61</sup>

---

<sup>59</sup> On this last point, note Secretary-General Annan’s comments in paragraph 78 of his Report on Implementation of the Millennium Declaration (Report of the UN Secretary-General, 2003).

<sup>60</sup> Amnesty International, *Why Human Rights Matter: A Message from Irene Khan, Amnesty International’s Secretary-General*, <http://web.amnesty.org>.

<sup>61</sup> US Department of State, *Country Report on Human Rights Practices 2003*, Released by the Bureau of Democracy, Human Rights and Labor, February 25, 2004, Introduction.

Global terrorism is a gross violation of the human rights of its victims and targeted communities. Persistent human rights abuses can create conditions which can be exploited by terrorist groups. In these ways, the war on terrorism is inextricably linked with the human rights agenda.

One of the most challenging current human rights violations in the world today is the ongoing humanitarian crisis in Sudan. Widespread attacks by government-sponsored militia against civilians in the Darfur region of this country have already killed an estimated 50,000 people and forced up to 1.2 million people to leave their homes. The UN has warned that these attacks, if continued, could rival the 1994 genocide in Rwanda. The World Health Organisation predicts that the death toll could reach 110,000 by December if sufficient humanitarian aid does not reach Darfur.

Burma's human rights record continues to be poor. The Burmese regime refused to accept the outcome of democratic elections in 1990. Since this time, it has perpetrated gross violations of human rights, including the suppression of political freedoms, torture, rape, extrajudicial killings, oppression of ethnic and religious minorities and the use of forced labour. Burmese opposition leader Aung San Suu Kyi remains under house detention.

The prospects for the future course of human rights are mixed. On the positive side, global media exposure, non-government organisations like Amnesty International and Human Rights Watch and (in many parts of the developing world) local activists are raising the profile of human rights concerns. This is countered by a number of negative trends, including violent internal and regional conflicts, repressive and dysfunctional states and the rise of fundamentalist and intolerant ideologies – whether religious or secular.

Achieving lasting improvements in the observance of human rights around the world will require sustained efforts at a number of levels. UN Secretary-General Kofi Annan has identified “good governance, effective institutions, adequate material resources and international support” as key priorities.<sup>62</sup> The challenge for the international community in coming years will be to find ways effectively to enforce existing human rights standards.

**Human rights violations are humanitarian failures, but also have implications for regional stability, economic development, and international relations. Progress in tackling these abuses has been uneven and will continue to be for the foreseeable future. While stronger enforcement of existing international standards is part of the solution, this will not itself address all drivers of human rights violations (like regional conflicts and dysfunctional states). The challenge for Australia is to recognise the broader international security payoffs of an effective human rights policy.**

<sup>62</sup> Report of the UN Secretary-General (2003), p.15.

## 7. Science and Technology

Science, technology and innovation have powerfully shaped society, culture, economic performance and security since antiquity. The industrial revolution, which brought affluence and better lives to so many in Europe, the Americas and countries like Australia, continues to transform lives in parts of the developing world. At the same time, in both the developed world and parts of the developing world, the beginnings of a new technological revolution driven by radical innovations in IT and biotechnology are now taking hold. Like the industrial revolution, this technological revolution is beginning to re-shape the global economic competitiveness of economies with high rates of innovation, research and knowledge creation.

Over the coming decades, technological change will continue to influence the pattern, pace and trajectory of globalisation, the prosperity and power of nation states, the way individuals and communities interact and perceive themselves and the duration and quality of life itself. These effects, in a variety of direct and indirect ways, will have implications for international security. Technological advances and their applications have the potential to eliminate some sources of suffering and conflict, and intensify others. Countries which manage these effects effectively and wisely will advance; others will be left behind.

A 2001 RAND Report prepared for the US Government examined possible trends in biotechnology, materials technology, and nanotechnology – three key areas of prospective technological revolution - by 2015.<sup>63</sup>

The Report argues that advances in biotechnology could have significant positive impacts on disease, malnutrition, food production, life expectancy, the quality of life, crime and security. The potential to ‘genetically engineer’ and clone humans will be greater, intensifying existing ethical concerns. Privacy, intellectual property, environmental and animal welfare dilemmas will also be sharpened.

The Report predicts a revolution in materials, devices and manufacturing techniques, including the emergence of smart materials (materials with in-built sensing and actuation capabilities), agile manufacturing techniques, nanofabricated semiconductors (promising exponential gains in size, cost, and speed of computing) and integrated micro systems (combining chemical, biological and mechanical components).

The RAND Report canvasses a number of ‘mega-trends’ of this technological revolution, including:

---

<sup>63</sup> Anton, P, Silbergliitt, R, and Schneider, J, *The Global Technology Revolution: Bio/Nano/Materials Trends and the Synergies with Information Technology by 2015*, RAND, 2001.

- An acceleration of the rate of technological change – which will increase the importance of education and training and the ability of societies to adapt, economically and culturally.
- Increased competition among countries and regions for leadership in technological development.
- Changes in the pace and pattern of globalisation, including increased penetration of existing technologies into the lives of people in developing countries.
- Privacy, cultural and broader social concerns, including possible increased disparities between the developed and developing worlds.

The application of new and emerging technologies will transform militaries and change the ways wars are fought. The US National Intelligence Council (NIC) predicts that defence-related technologies will advance rapidly over the coming decades – in particular in the areas of precision weapons, information systems and communications. Much of this development will occur in the US and other advanced economies, although greater diffusion of existing technologies – including satellite imagery and communications – could erode the edge enjoyed by the US in these areas. The NIC concludes that strategic advantages will go to countries “that have a strong commercial technology sector and develop effective ways to link these capabilities to their national defence industrial base.”<sup>64</sup>

The OECD has done extensive work on the policy frameworks and strategies countries need to put in place to maximise the economic benefits of technological change. Research and development spending (both public and private), investments in quality education and training, telecommunications policy, software development, intellectual property protection and even skilled migration arrangements will affect countries' capacity to drive and benefit from technological change.

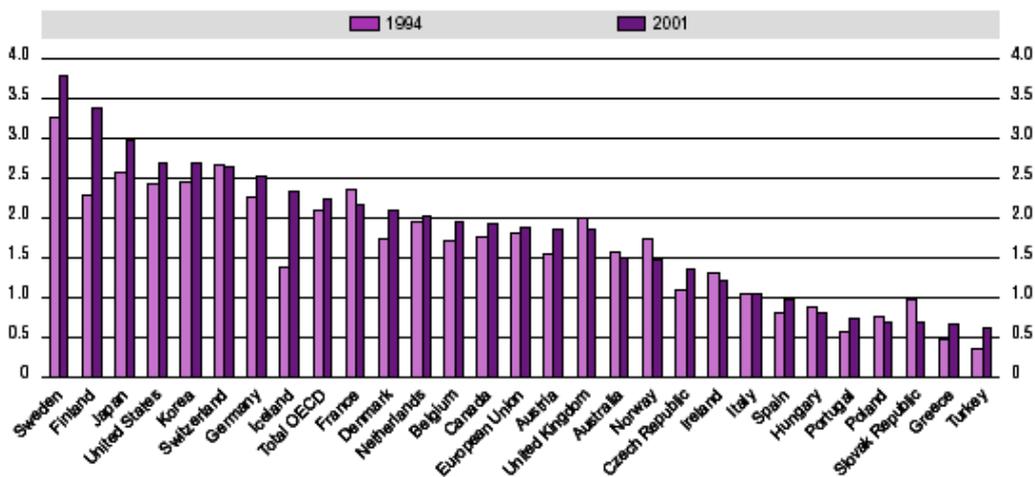
The following graph shows how Australia ranks alongside other OECD countries in Gross Expenditure on Research and Development (GERD) in 1994 and 2001. Australia is well short of the leading countries in this area (ranking 16<sup>th</sup> in 2001) and was one of only 10 countries to reduce its investment (as a percentage of GDP) over the period covered.<sup>65</sup>

---

<sup>64</sup> National Intelligence Council, *Global Trends 2015: A Dialogue About the Future With Nongovernment Experts*, December 2000. pp.59-60.

<sup>65</sup> Graph reproduced from the *OECD Science, Technology and Industry Outlook*, OECD, 2002, p.32.

Figure 1.8. GERD as a percentage of GDP, 1994 and 2001<sup>1</sup>



1. Or nearest available years.  
Source: OECD, MSTI database, May 2002.

There is no simple formula for evaluating the quantitative contribution of science, technology and innovation to economic growth. This contribution will be affected by taxation and other incentives, education policy, government procurement patterns, labour market reforms, corporate regulatory frameworks, financial sector performance (including venture capital markets), business-government collaboration, foreign investment, international research linkages and underlying cultural and social factors. Nonetheless there is a strong correlation between those economies with consistently high rates of economic growth and those with consistently high rates of investment over time.

**The unfolding technological revolution in IT, biotechnology, materials technology and nanotechnology will have far-reaching social, economic and environmental effects. It will also re-shape patterns and economic and military power in the world - creating the potential for new forms of international conflict and collaboration. Australia's ability to invest in, create, adapt and apply new technologies will have an important influence on its future security and prosperity.**

## 8. Resource Security

Access to water, food and energy is an essential requirement for human life. Millions of people in developing countries suffer from malnutrition and chronic shortages of water. These shortfalls are humanitarian disasters in their own right, but they can also undermine the stability of whole nations and regions. Developments in energy markets have long shaped international relations, and will continue to do so.

## *Food*

Continued population growth and rising incomes (in rich and poor countries) will result in increased demand for most foodstuffs in the coming decades. Most of this demand will occur in developing countries. In its most recent *Agricultural Outlook*, the OECD assesses that world food production will more than meet this demand and that real price levels for most foodstuffs will trend downward. According to the OECD, expected improvements in agricultural productivity will underpin this supply response.<sup>66</sup>

In its analysis, the OECD underscores the importance of sound domestic and trading arrangements for the long term food outlook, pointing out that market distortions not only penalise taxpayers and consumers, they limit the responsiveness of domestic markets to changes in the international outlook.<sup>67</sup> Farmers in developing countries will benefit substantially from the reduction and removal of agricultural subsidies and barriers in developed countries. Improved access to export markets will help them sustain domestic crops, increasing the food security of their economies.

While overall food availability should not be a problem in coming years, distribution will remain a concern. Significant numbers of people will continue to lack access to food in coming decades. The number of malnourished people in Africa is unlikely to fall. Periodic famines will continue to occur, many of them triggered by 'man-made' developments – failed states, misgovernment, repression, civil wars and regional conflicts.<sup>68</sup> These developments will pose challenges for the international community and, through their destabilising impacts, could undermine the security of particular regions.

## *Water*

Water security represents a more worrying long term prospect. There is growing awareness among analysts and policy makers that current levels and patterns of consumption are not sustainable.

The UN environmental report *GEO 2000* states that the global water shortage represents a full-scale emergency.<sup>69</sup> The US National Intelligence Council predicts that by 2015, more than half of the world's population will live in countries that are 'water stressed' (i.e. have less than 1,700 cubic meters of water per capita per year), mostly in Africa, South Asia, the Middle East and China.<sup>70</sup> In the 2000 Millennium Declaration, world leaders called upon all members of the UN to: "stop the unsustainable exploitation of water

---

<sup>66</sup> OECD, *Agricultural Outlook 2004-2013*, OECD, 2004, <http://www.oecd.org>, Highlights.

<sup>67</sup> OECD *Agricultural Outlook 2004-2013 (Highlights)*, p.6.

<sup>68</sup> National Intelligence Council (2000), p.26.

<sup>69</sup> UN World Water Development Report, *Water for People, Water for Life*, March 2003, p.5.

<sup>70</sup> National Intelligence Council (2000), p.27.

resources".<sup>71</sup> As noted above, improved water management has been chosen as a key indicator for the MDG concerning environmental sustainability.

It is not only water supply that is causing disquiet. Poor water quality and water-related disasters are threatening vulnerable populations, particularly in the developing world. It has been estimated that up to half of the people living in developing countries are exposed to polluted water. Between 1991 and 2000, over 665,000 people died in 2,557 natural disasters: 90 per cent of these disasters were water-related events.<sup>72</sup>

Some analysts argue that access to water could be a cause of international tension and conflict in the future. This was one of the possibilities discussed at a conference held by the Crawford Fund for International Agricultural Research in Canberra in August 2000.<sup>73</sup> The US National Intelligence Council (NIC) points out that nearly half of the world's surface consists of river basins shared by more than one country – and more than 30 countries receive more than one third of their water from outside their borders. The Council assesses that water shortages combined with other sources of tension could result in conflict.<sup>74</sup>

### *Energy*

The International Energy Agency (IEA) has assessed that the world's existing energy sources should cover the expected increase in energy demand to 2030 "provided there are enough and adequate incentives to develop them and bring them to market".<sup>75</sup>

According to the IEA, on current trends, global energy demand will increase by 1.7 per cent per year from 2000 to 2030 – fossil fuels will continue to meet more than 90 per cent of the world's energy needs and oil will remain the largest single source of energy (assuming greater progress is not achieved in the adoption of renewable sources of energy). The outlook for other energy sources is uneven, with the IEA predicting strong growth in demand for natural gas, less reliance on nuclear power and some growth in non-hydro renewable energy sources (e.g. wind power and biomass) – the latter from a low base.

The following projections from the US National Intelligence Council underscore these trends.<sup>76</sup>

---

<sup>71</sup> UN World Water Development Report (2003), p.5.

<sup>72</sup> UN World Water Development Report (2003), p.12.

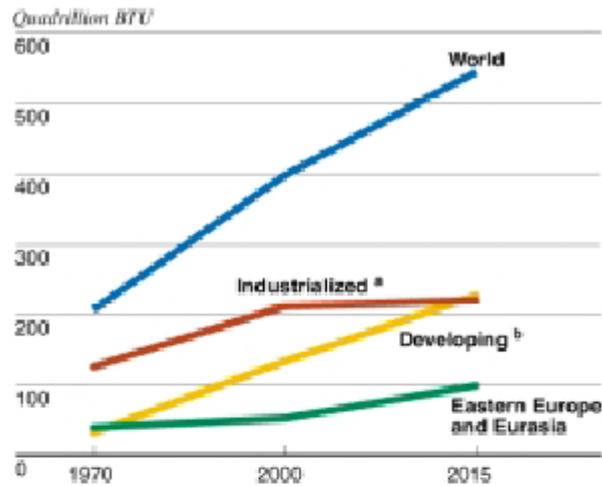
<sup>73</sup> The Conference title was, *Food, Water and War: Security in a World of Conflict*. It was held in Parliament House on 15 August 2000.

<sup>74</sup> National Intelligence Council (2000), p.28.

<sup>75</sup> International Energy Agency, *IEA Brainstorming Session - Investment Challenges in the Energy Sector*, 2003, Introductory Note, p.2.

<sup>76</sup> National Intelligence Council (2000), p.30.

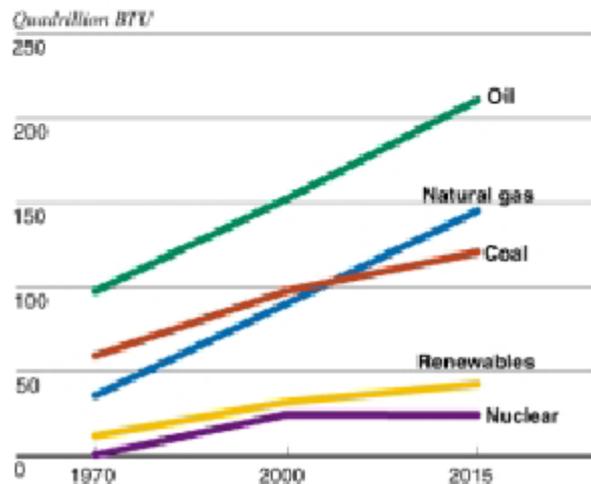
### World Energy Consumption



\* Includes: United States, Canada, Mexico, Japan, United Kingdom, France, Germany, Italy, Netherlands, other Europe, and Australia.

\* Includes: Developing Asia (China, India, South Korea, other Asia), Turkey, Africa, Brazil).

### World Energy Consumption by Fuel Type



Source: International Energy Outlook, 1998;  
US Department of Energy.

According to the IEA, the pattern of global energy demand will shift, with almost two thirds of the increase in overall demand expected to come from developing countries, particularly in Asia.<sup>77</sup> This demand will be met increasingly from other developing countries. The IEA estimates that 95 per cent of new energy production will take place in non-OECD countries – with the Gulf region and the states of the former Soviet Union playing a large role.<sup>78</sup> China and India’s energy requirements will powerfully shape global energy trading patterns and markets. The US National Intelligence Council forecasts that by 2015, three quarters of the Persian Gulf’s oil will be exported

<sup>77</sup> IEA (2003), p.1.

<sup>78</sup> IEA (2003), p.2.

to Asia (with only one-tenth directed to Western markets).<sup>79</sup> This will, in turn, have important implications for global and regional security. For China and other regional economies, ensuring the security of sea lanes linking them to the Gulf region is likely to become a critical priority.

### *Long Range Forecasts and Scenario-Based Analysis*

Long range forecasts like the ones outlined above should be treated with caution. Technological change, the discovery and exploitation of new reserves, market-driven incentive effects, policy shifts and different political priorities will inevitably affect the accuracy of these estimates, resulting in substantially different outcomes. National and international actions to address the challenge of climate change, to diversify energy supplies and to ensure sufficient access to energy will strongly affect patterns of energy demand and consumption.

Scenario-based analysis, however, can shed some useful light on the effect of policy-driven and other factors on long term resource trends. In a recent publication, for example, the IEA assessed the long term (i.e. 2050) implications of three possible scenarios:

- Scenario 1: ‘Clean, but not Sparkling’ – characterised by strong concern for the global environment by policy makers and the public but a relatively slow rate of technological change.
- Scenario 2: ‘Dynamic but Careless’ - where there is rapid technological change but low priority attached to climate change mitigation and other environmental policy interventions.
- Scenario 3: ‘Bright Skies’ – characterised by both strong concern for the global environment and rapid technological change.

Implications for the pattern and sustainability of resource use, economic growth and energy security are examined for each scenario.<sup>80</sup> Not surprisingly, the IEA points out that the third scenario (Bright Skies) is the “most favourable” one for the achievement of long-term sustainability and “presents the lowest risks” to the security of energy supply and protection of the environment. By contrast, elements of the first two scenarios are problematic. Under Scenario 1, technologies that would “allow the system to decarbonise fast enough without sacrificing economic growth” are not developed. Scenario 2 “increases demand pressure on scarce fossil fuel resources”, posing “substantial risks” for global security and accelerates greenhouse gas emission rates, with associated environmental consequences. While too much should not be read into this analysis (the IEA presents it as

---

<sup>79</sup> National Intelligence Council (2000), p.28.

<sup>80</sup> International Energy Agency, *Energy to 2050: Scenarios for a Sustainable Future*, 2003a.

“an initial basis for discussion”), the study highlights questions policy makers will increasingly have to grapple with.<sup>81</sup>

Our intention in raising resource questions has been to shed light on long term energy production and consumption trends that will shape Australia’s international environment – through their effects on global markets, patterns of economic power and dependence, economic development and, in some conceivable cases, future tensions and conflicts.

While Australia stands to benefit from the likely strong increase in demand for energy from East Asia, this potential needs to be balanced against the need for further international action to be taken to control emissions of greenhouse gases. Developing countries are currently exempted from the Kyoto Protocol’s greenhouse gas reduction targets. That said, this agreement includes a ‘Clean Development Mechanism’ (CDM) under which developed countries receive carbon credits for investing in emission-reducing projects in developing countries. Extension of the Kyoto Protocol to key developing economies will affect their consumption and use of energy in a range of ways. The net impact of these effects will depend on the incentives, targets and regulations these countries adopt, together with patterns of investment, technological change and economic growth they experience.

**Productivity improvements are likely to enhance global food supply although periodic famines will remain a problem because of maldistribution and misgovernment. Disputes between countries over access to water supplies could emerge as a source of tension in some parts of the world. On current trends, growing demand in China, India and other developing countries in Asia will have an increasing influence on global energy markets in coming decades. Oil is likely to remain the single most important source of energy, with demand for natural gas growing strongly. The Gulf region will continue to be a key source of energy supply, in particular for East Asia. This will have implications for regional security. Australia will need to balance economic and environmental considerations in framing its response to these changes.**

## 9. Sustainable Development and Global Climate Change

The concept of sustainable development is widely accepted as an essential requirement of sound economic, social and environmental policy. It is possible to interpret this concept in a myriad of ways. And its implications for policy in any given case are often not clear. That said, the core ideas underlying sustainable development – the precautionary principle, the concepts of inter-generational and intra-generational equity and the

---

<sup>81</sup> International Energy Agency (2003a), pp.102-103.

protection of biological diversity – are accepted by all responsible governments.

Sustainable development is critical for the prosperity and security of Australia and other developed countries, the elimination of poverty and suffering in the developing world and the protection and preservation of the global ecosystem. Sustainable development failures have the potential to cause significant economic disruption and destabilise regional and even global security.

In recent years, climate change has increasingly been recognised as a potential threat to national and international security. There is now little debate that the Earth's climate is warming. While views differ on the size, rate of change, and key drivers of this phenomenon, most experts agree that anthropogenic factors (emissions of carbon dioxide and other greenhouse gases) are having an effect on the world's climate. We will not discuss the complicated question of climate modelling here. It is worth highlighting, however, that even under the most optimistic assumptions, modelling indicates that global surface temperatures are likely to rise by much more over the next 100 years than they did over the last 1,000 years.<sup>82</sup>

Climate change is thought to have a number of environmental effects, including more frequent extreme weather events (e.g. hurricanes), altered rainfall patterns (causing persistent drought and flooding), changes in land and sea ecologies and rising sea levels. These effects can impact on societies in a range of ways, including access to water, food production, disease trends, migration flows, the financial sector and overall economic performance. The frequency and direct economic costs of extreme weather events have increased markedly in recent decades. According to an insurance industry source, during the 1950s 20 extreme weather events caused US\$40.7 billion in economic losses. Over the course of the 1990s, the number of events had more than quadrupled, to 89, generating US\$629.2 billion in losses.<sup>83</sup>

Small island states in the Pacific region and elsewhere are particularly vulnerable to the effects of climate change, including higher sea levels, changing weather patterns and greater climate volatility. While these countries differ in many respects, their small physical size, existing exposure to adverse weather events, relative isolation, poor infrastructure, narrow economic profiles and growing populations limit their capacity to mitigate and adapt to these changes.<sup>84</sup>

The chart below illustrates temperature changes predicted by a number of climate change models. The average forecast temperature increase over the

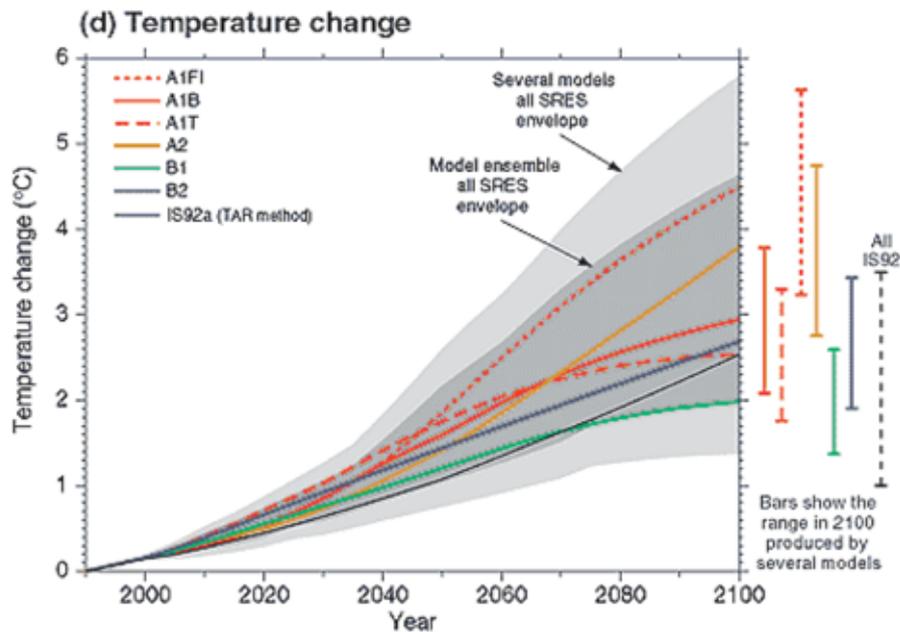
---

<sup>82</sup> See Third Assessment Report of the Intergovernmental Panel on Climate Change, *Climate Change 2001: Synthesis Report, Summary for Policymakers*, for more details on modelling results.

<sup>83</sup> Heller, P, and Mani, M, "Adapting to Climate Change", *Finance and Development*, March 2002, p.30. Figures quoted are from the Munich Reinsurance Company.

<sup>84</sup> McCarthy, J, Canziani, O, Leary, N, Dokken, D, and White, K, *Climate Change 2001: Impacts, Adaptation, and Vulnerability (Contribution of Working Group II to the Third Assessment Report of the Intergovernmental Panel on Climate Change)*, Cambridge University Press, 2001, Chapter 17.

next 100 years is roughly 3 degrees centigrade. To put this in context, previous 'man-made' greenhouse gas emissions have increased temperatures by around 1 degree centigrade.<sup>85</sup>



Climate change is usually thought of as a gradual process – a steady, incremental increase in average global temperatures. But abrupt changes in the world’s climate are also possible. Some analysts believe that a collapse in the Earth’s thermohaline circulation system (which regulates how ocean waters circulate around the world) could cause an abrupt change in the world’s climate. Such an event would reduce the amount of warm ocean water reaching the Northern Hemisphere, causing cooler temperatures, a drop in rainfall and widespread droughts in parts of Europe and Asia.

Strategic analysts recognise that climate change (gradual or sudden) and its associated societal impacts could have implications for international security. A recent study (drawing on a workshop of leading environmental and security experts) hypothesised that this could occur through the aggravation of internal and international conflicts, increased poverty and inequality, diversion of national and international resources from other security priorities, adverse economic impacts and other mechanisms.<sup>86</sup>

The Pentagon has also focused on the security implications of climate change, commissioning a classified study last year on this subject.<sup>87</sup> This study,

<sup>85</sup> Chart reproduced from the following website: <http://www.ghgonline.org/predictions>. This website draws on data published by the Intergovernmental Panel on Climate Change.

<sup>86</sup> Karas, T, *Global Climate Change and International Security*, Sandia National Laboratories, November 2003.

<sup>87</sup> Schwartz, P, and Randall, D, *An Abrupt Climate Change Scenario and Its Implications for United States Security*, <http://www.gbn.org/GBNDocumentDisplayServlet.srv?aid=26231&url=%2FUploadDocumentDisplayServlet.srv%3Fid%3D28566>, October 2003.

which was subsequently leaked, considered the possible security consequences of the following abrupt climate change scenario<sup>88</sup>:

- Annual average temperatures falling by up to 2.8 degrees Celsius in Asia and North America, 3.3 degrees in Northern Europe, 2.2 degrees in Australia, South America and southern Africa.
- Persistent drought affecting key agricultural and water resource regions serving Europe and eastern North America.
- Intensified storms affecting Western Europe and the Northern Pacific.

The Pentagon study assesses that these changes could undermine international security and fuel conflicts by sparking serious food shortages, decreasing the availability and quality of fresh water and disrupting global energy supplies. The report suggests that US policy makers take a number of precautions with this scenario in mind, including: developing better ways to predict the effect of abrupt climate change on food, water and energy supplies; creating 'vulnerability metrics' to anticipate which countries are most vulnerable and how they might respond; identifying 'no regrets' (i.e. no cost) strategies such as improved water management measures; and rehearsing adaptive responses.<sup>89</sup> The Pentagon report also argues that: "because of the potentially dire consequences, the risk of abrupt climate change, although uncertain and quite possibly small, should be elevated beyond a scientific debate to a US national security concern."<sup>90</sup>

While it is impossible to assess the predictive accuracy of reports of this nature, they reiterate the necessity of moving the general challenge of global climate change from the margins to the centre of the Australian foreign policy development process.

**Long term strategic planners recognise that climate change (and other environmental risks), if not carefully managed, could affect global growth and security. In the period ahead, policy makers will have to pay more attention to the interactions between security policy, economic policy and sustainable development. National and global policy action will move from the 'desirable' column to the 'mandatory' column as the practical impact of climate change becomes apparent to citizens.**

## 10. Demographic Change

Rates and patterns of population growth, changing fertility and death rates, ageing trends and population movements within and between countries have

---

<sup>88</sup> It should be emphasised that the Pentagon Report is not predicting these events. It is constructing a plausible, if relatively unlikely, scenario and exploring its possible security consequences.

<sup>89</sup> Schwartz and Randall (2003), pp.2-3.

<sup>90</sup> Schwartz and Randall (2003), pp.2-3.

important long term implications for the economic and political strength of countries and regions.

According to estimates published by the UN:<sup>91</sup>

- The world's population is expected to increase from 6.3 billion in 2003 to 8.9 billion in 2050.<sup>92</sup>
- World population is currently growing at an annual rate of 1.2 per cent, or 77 million people per year. Half of this increase is accounted for by 6 countries: India (for 21 per cent), China (12 per cent), Pakistan (5 per cent) and Bangladesh, Nigeria and the US (4 per cent each).
- Future population growth patterns will vary from region to region, with the population of developed parts of the world (currently at 1.2 billion) expected to remain largely unchanged to 2050 and numbers in less developed regions likely to increase (from 4.9 billion in 2000 to 7.7 billion in 2050).
- Over the past 50 years, fertility levels in less developed regions have fallen from six to three children per woman. This overall trend is expected to continue over the coming half century, although fertility rates in the least developed countries will remain relatively high.
- Population growth in the least developed countries will be higher than in other developed countries, rising from 668 million to 1.7 billion despite declining fertility rates.
- Life expectancy at birth in developed parts of the world will rise from 76 years today to 82 years in 2045-2050. In less developed regions, life expectancy will increase from 63 years to 73 years (for least developed countries, particularly those affected by HIV/AIDS, life expectancy will remain below these levels).
- International migration is expected to remain high, with more developed regions receiving an average of two million migrants per year to 2050. The main destinations are expected to be the US, Germany, Canada, the UK and Australia. Major sources of migrants will be China, Mexico, India, the Philippines and Indonesia.

The following chart illustrates the implications of these trends for individual countries and regions.<sup>93</sup> It is worth noting that while population growth is

---

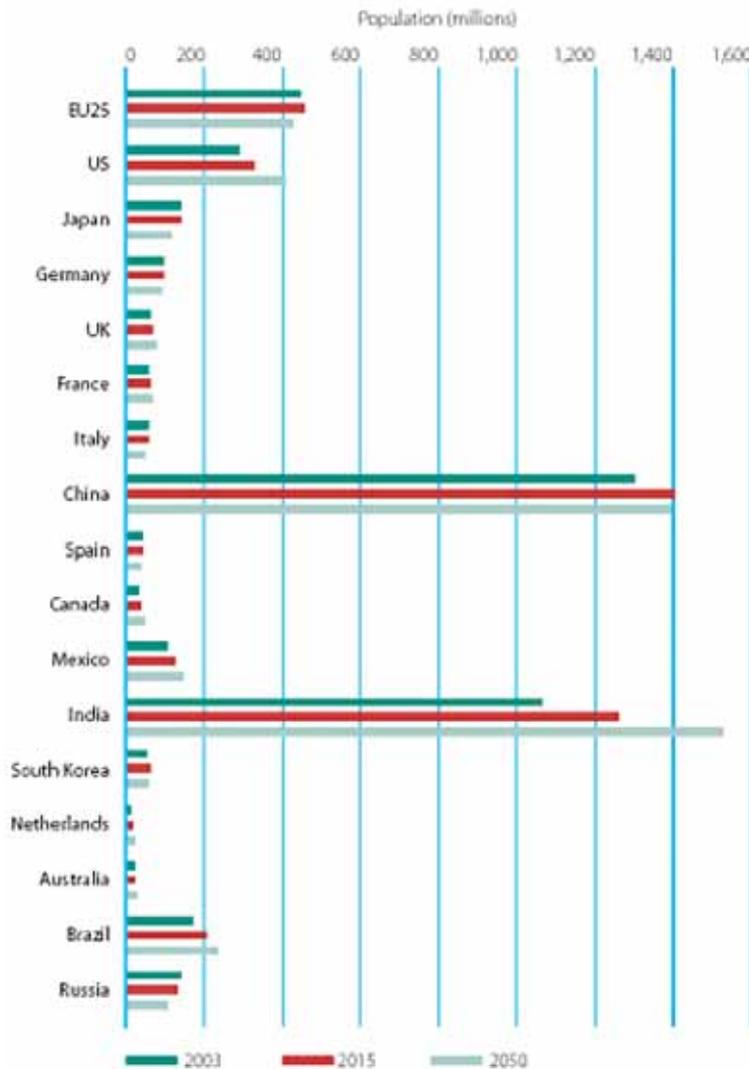
<sup>91</sup> UN Population Division, *World Population Prospects: The 2002 Revision: Highlights.*, February 2003, Executive Summary.

<sup>92</sup> This estimate is (in part) based on an assumption of falling fertility rates in the majority of developing countries in the coming years. If fertility rates remained constant in all countries at current levels, the world's population could reach 12.8 billion by 2050.

<sup>93</sup> Reproduced from the UK Foreign and Commonwealth Office's strategy document, *UK International Priorities: A Strategy for the FCO*, Chapter 2. The data are drawn from the UN.

expected to have stabilised in China by 2050, India's numbers are likely to continue to grow.

### Population projections to 2015 and 2050



Demographic changes over the coming decades will have markedly different impacts from country to country. Developed countries experiencing ageing populations face long-term budgetary and labour market pressures as their dependency ratios increase. Some rich countries, including Australia, will continue to attract immigrants from other parts of the world.

Population dynamics within the developing world are expected to become more uneven, with many developing countries experiencing falling growth rates and population in the poorest countries continuing to rise strongly. Growing populations in some developing countries could place unsustainable pressure on resources, employment, the environment and growing cities. In China, demographic change will place great stress on China's job market.

Poorly planned urbanisation (and internal population movements) could influence the political and economic trajectory of some developing countries and in extreme circumstances be a source of instability and intolerance. Over the coming decades, the impact of the AIDS epidemic will be felt keenly in affected countries. The UN estimates that AIDS will cause 46 million 'excess deaths' in the 53 most affected countries over the current decade. On current projections, this figure will increase to 278 million by 2050.

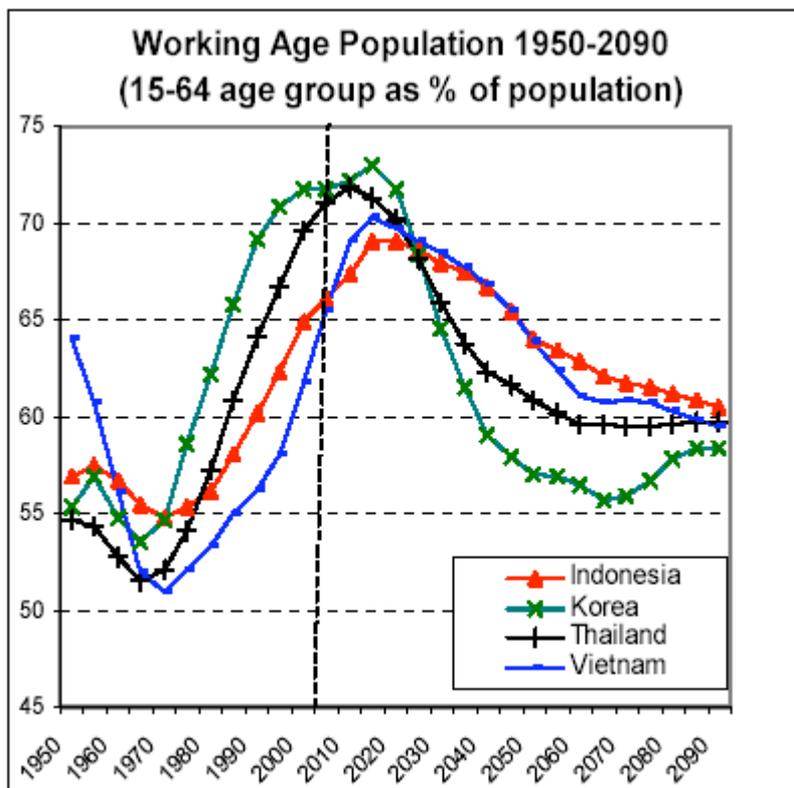
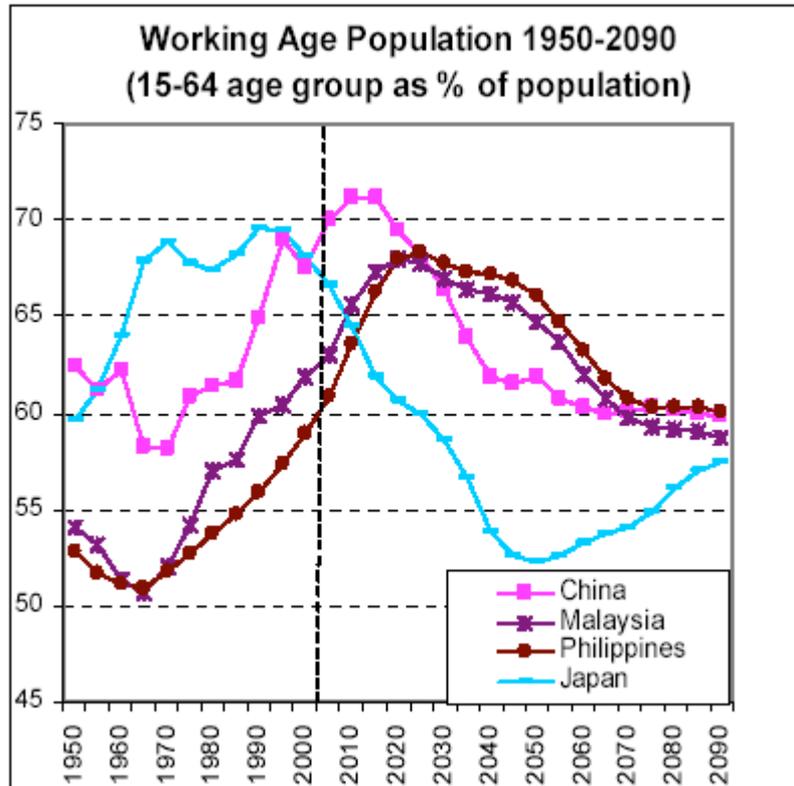
Many of these trends will play out within East Asia. In its most recent regional overview, the World Bank points out that changing population dynamics will start to "profoundly alter" the economic landscape of East Asia over the next 10-20 years.<sup>94</sup> Specifically:

- The population growth rate will fall below 1 per cent, with the region's population stabilising at around 2.4 billion in the second half of this century (compared to 1.9 billion today).
- The composition of the region's population will change, with most countries experiencing ageing populations (and falls in the share of working age people in overall numbers) after 2015 or 2020.
- All other things being equal, these trends will slow economic growth in the region (according to one estimate, by 0.6 per cent per year), although this negative effect can be counteracted by continued economic reform and other contributors to growth (including technological change, investment trends and migration flows).
- Different countries will be affected by these changes in different ways. In 5-10 years' time, the working age population share of China, South Korea and Thailand is expected to start falling. This will also happen in countries like Indonesia, Malaysia, the Philippines and Vietnam, but later and more gradually. These trends are illustrated in the following charts.<sup>95</sup>
- Countries in the South Pacific, including PNG and the Solomon Islands, have younger populations and higher working age shares. The policy challenge they face is to create sufficient employment opportunities for them.

---

<sup>94</sup> World Bank, *East Asia Update*, April 2004, p.26.

<sup>95</sup> World Bank (2004), pp.27-28.



The key demographic trends that will shape the regional and global strategic environment over coming decades include: the continued ageing

of populations in some developed economies (which, if not managed well, could undermine their long term economic performance); population movements from developing to a small group of developed countries including Australia - which will create both challenges and opportunities; and poorly-managed population pressures within some developing countries - which could affect social stability and cause environmental stresses. Ageing populations in Northeast Asia will slow the region's growth prospects in the next 10-20 years in the absence of economic reforms to further enhance productivity growth.

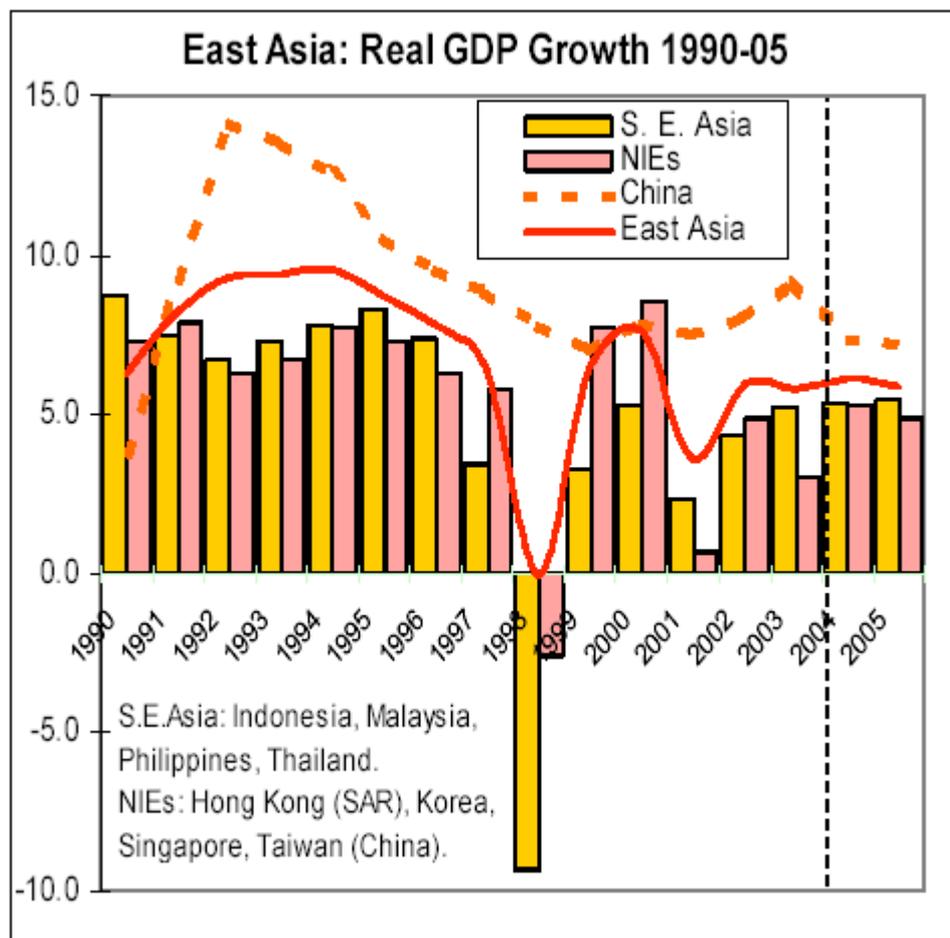
## CHAPTER 4: AUSTRALIA'S STRATEGIC ENVIRONMENT – MAJOR REGIONAL TRENDS

The previous chapter identified 10 global change drivers that will shape the international terrain in which Australian foreign policy must operate in the decade ahead. In this chapter, we examine key regional trends.

### 1. China Rising

China is emerging as one of the greatest change drivers affecting the future economic and strategic shape of East Asia. Since Deng Xiaoping became paramount leader in November 1978, China has introduced a series of innovative market-based reforms in agriculture, industry and in the broader economy. Through its 'open door' policy China has become a major participant in the global economy – symbolised by its accession to the World Trade Organisation (WTO) in December 2001. Despite changes in China's political leadership in 1987-9 and more recently in 2002, there has been broad continuity in the market-based orientation of China's long-term economic reform program.

China's economic growth performance has also been impressive – averaging nearly eight per cent per year over the past quarter century.



As the above chart shows, the Chinese economy has outpaced the average growth rate of the rest of East Asia by between two and three percentage points per year.<sup>96</sup> The World Bank forecasts that while China's economic growth will slow slightly in 2005, it will continue to grow more rapidly than the rest of the region (See table below).

**East Asia Economic Growth<sup>97</sup>**

	2002	2003	2004	2005
East Asia	5.9	5.7	6.3	5.9
Develop. E. Asia	6.7	7.6	6.9	6.5
S.E. Asia	4.4	5.1	5.4	5.4
Indonesia	3.7	4.1	4.5	5.0
Malaysia	4.1	5.2	5.5	5.5
Philippines	4.4	4.5	4.2	4.1
Thailand	5.4	6.7	7.2	6.5
Transition Econ.				
China	8.0	9.1	7.7	7.2
Vietnam	7.0	7.2	7.0	7.2
Small Countries	2.7	3.9	4.2	4.2
Newly Ind. Econ.	4.9	3.0	5.4	4.9
Korea	7.0	3.1	5.3	5.3
3 other NIEs	3.1	2.9	5.5	4.5
Japan	-0.3	2.7	3.1	1.4

World Bank East Asia Region; April 2004.

Concerns have been expressed by various analysts about the quality, sustainability and pattern of China's long-term economic growth. China's economy has a dual structure, with many inefficient state owned enterprises (SOEs) existing alongside emerging high-technology industries. China's economic development has been regionally uneven and concentrated in coastal China, the south and in urban centres. Rural areas have fallen behind in relative terms, resulting in significant internal migration. Banking sector reform remains a major policy challenge with many Chinese banks saddled with non-performing loans to SOEs. Chinese planners are also conscious of the need to secure long-term resource supplies. Effectively managing these complex development challenges will continue to tax the Chinese political leadership into the future – challenges which China's leadership has handled well during the first quarter century of reform.

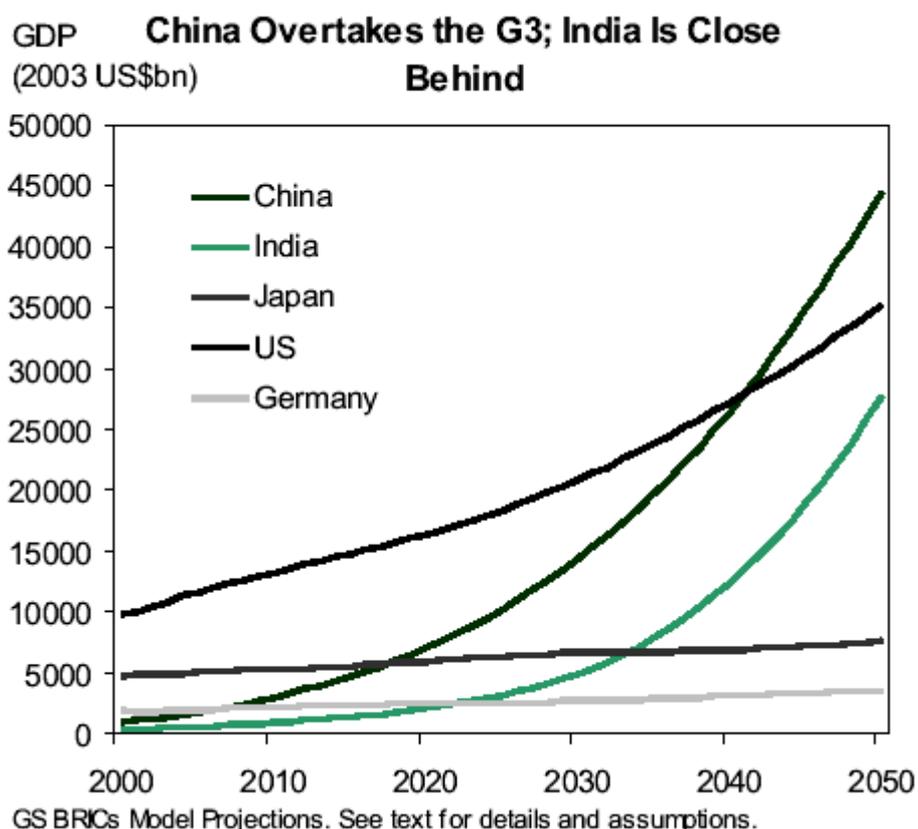
China is likely to profoundly shape Australia's long-term economic, foreign policy and security policy environment. Long-term economic forecasting is a hazardous exercise given the range of factors which affect economic

<sup>96</sup> World Bank, *East Asia Update*, April 2004, p.3.

<sup>97</sup> World Bank (2004), p.2.

performance. Goldman Sachs' October 2003 analysis of the future of the Brazilian, Russian, Indian and Chinese economies to 2050 illustrates the point.<sup>98</sup> According to Goldman Sachs, China could overtake:

- Germany by 2010.
- Japan by 2015.
- The US by 2039.



China is also becoming an increasingly important export market for other regional economies - spurring their growth. In 2003, Chinese imports surged by 40 per cent in US dollar terms, causing a 16 per cent fall in China's trade surplus. China's trade deficit with the rest of the region grew to US\$70 billion in 2003 and during that year it accounted for:

- 50 per cent of South Korea's export growth.
- 66 per cent of Taiwan's export growth.
- 25 per cent of Thailand's and Malaysia's export growth.<sup>99</sup>

China accounts for a significant share of the foreign investment attracted by the region. The following table shows that between 2001 and 2003, China attracted an annual average of US\$51 billion in foreign direct investment

<sup>98</sup> *Dreaming with BRICS: The Path to 2050*, Global Economics Paper No: 99, Goldman Sachs, October 2003. The chart immediately below is reproduced from page 5.

<sup>99</sup> World Bank (2004), p.17.

compared to US\$7.5 billion for the rest of East Asia. China's share of overall foreign direct investment in East Asia appears to be growing, accounting for around 64 per cent of overall flows in 1990-97 and over 87 per cent in 2001-03.

**FDI Inflows (Annual averages, US\$ Billion)<sup>100</sup>**

	1990-97	1998-00	2001-03
World	277.1	1053.7	738.5 *
All developed	185.0	850.7	552.9 *
All developing	83.5	177.3	157.7 *
East Asia (7)	39.4	58.1	58.5
China	25.1	41.6	51.0
Other	14.3	16.5	7.5
Korea	1.4	8.0	3.0
Indonesia	3.0	-2.6	-1.8
Malaysia	5.2	3.5	1.9
Philippines	1.1	1.2	0.9
Thailand	2.3	5.6	2.1
Vietnam	1.3	0.8	1.4

Source: UNCTAD and national sources. \* For 2001-02

A critical emerging factor for China's, the region's, and Australia's economic future is how a rapidly-growing China will meet its demand for energy, metals, and other raw materials. While China will seek to satisfy as many of its resource requirements domestically as it can, the Chinese Government is developing a range of long-term strategies based on significant international sourcing. Central Asia, the Russian Far East, Latin America, the Middle East and Australia all feature in these plans.

For the wider region, China's increasing economic weight presents a complex set of opportunities and competitive challenges. The upside is relatively clear: China is emerging as a significant export market and investment opportunity. However, as this trend develops, policy makers will need to be mindful of the region's vulnerability to any significant changes in China's policy direction and economic performance.

China is also becoming a more active participant in regional and global foreign policy fora, including the UN, the WTO, the six party talks on North Korea, APEC, ASEAN Regional Forum and the ASEAN Plus Three mechanism. China has been active on the bilateral front, negotiating a range of bilateral free trade agreements (FTAs) within the region.

<sup>100</sup> World Bank, *East Asia Update*, April 2004, p.22.

The central challenge for regional policy makers for the decades ahead is the maintenance of a positive relationship, based on constructive engagement, between China and the US. There have been many twists and turns in the China-US relationship since Washington's normalisation of diplomatic relations with Beijing in 1979. While significant disagreements remain, Sino-US cooperation in the war against terrorism, China's hosting of the six party talks on North Korea and burgeoning bilateral economic links all point to the current relationship being in good shape.

The Taiwan question represents a continuing uncertainty in this overall equation. Chinese policy remains the reunification of China through peaceful means - while refusing to rule out the option of military action. Taiwan has recently re-elected a president whose political party (the DPP) maintains a level of formal commitment to Taiwanese independence. Third countries such as the US, Japan and Australia accept the application of the 'one China' principle in their respective approaches to the management of the China-Taiwan question.

Formal negotiations between Beijing and Taipei on this matter have effectively broken down. This is regrettable. All countries in the region have an interest in the negotiations being restarted. No regional state has an interest in the Taiwan question being resolved by military force. This scenario would have disastrous consequences for regional peace, security and development.

Much will depend on how Taiwan's political elites manage the independence question. The fact that Taiwan has become a successful economy and a robust liberal democracy is to be welcomed. This has brought significant benefits to Taiwan's 23 million people after half a century of Japanese occupation followed by several decades of martial law under the KMT. However, any steps toward any formal declaration of political independence by the Taiwanese authorities would be fundamentally destabilising - not just for the Taiwanese people, but also for the wider region and beyond.

The future direction of Taiwanese domestic politics on the independence question, in addition to China's response to it, represent key factors in Australia's unfolding foreign policy environment in the decade ahead. This will require skilful diplomatic management by Beijing's and Taipei's neighbours as well as the US and the broader international community.

**Over the coming decades, China is likely to represent an expanding major export market for a range of commodities and services of direct relevance to Australia's long-term economic interests. China will become an increasingly active regional and global foreign policy actor. As China rises, a core challenge for Australia is to maintain a positive bilateral relationship with Beijing and through that relationship to support China's continued**

**pursuit of its strategic and economic interests through multilateral engagement and effective regional dialogue. The Taiwanese independence question looms as a major policy challenge – one that could impact on the future of China-US relations, regional stability and long-term regional prosperity. Taiwan will therefore require high-level policy attention and careful handling by policy makers to ensure that armed conflict, which would have devastating consequences, is avoided.**

## 2. Japan

The rise of China has tended to obscure the continuing significance of Japan as a global and regional power. Apart from the Russian Federation, Japan is the only regional member of the G8. Japan remains the world's second-largest economy. It is still by far the largest economy in East Asia. Japan remains the major economic partner of most of the economies in the region, including Australia.

Japan's economy experienced a difficult period during the 1990s following the bursting of the asset price bubble. Together with the crisis in the Japanese banking system, Japan experienced a decade of economic stagnation – following four decades of sustained economic growth covering much of the post-war period. A raft of stimulatory packages introduced by Japanese governments during this period did little to lift the Japanese economy into sustained recovery.

More recently, Japan has demonstrated encouraging signs of economic recovery – growing by an estimated 2.4 per cent in 2003.<sup>101</sup> Positive growth is also forecast for 2004. The main drivers of this growth have been industrial exports and business investment rather than domestic consumer demand.

Japan's long term growth prospects could be affected by its ageing and declining population. While this is also a factor in Western Europe, the trend in Japan is more acute. Japan's working age population has been declining since 1998. The country's overall population is expected to cease growing from 2006.<sup>102</sup> If not managed well, these demographic pressures could reduce potential long-term growth rates in Japan.

Some pessimists have been tempted to write off the Japanese economy's long term prospects. This is premature and foolhardy given Japan's extraordinary economic achievements in the post-World War II era. It also fails to take into account the future political significance of reformist forces within Japanese politics. While Japan does face a range of political constraints, it is unlikely to lose its current status as one of the world's leading economies.

---

<sup>101</sup> Australian Bureau of Agricultural and Resource Economics, *Australian Commodities* 11 (1), 2004, p.12.

<sup>102</sup>ABARE (2004), p. 13.

In recent times, Japan has also played an increasingly active global and regional foreign policy role. This has been demonstrated by: Japan's participation in the six party talks on North Korea, together with a range of other bilateral diplomatic initiatives between Tokyo and Pyongyang; its political, economic and aid relationship with ASEAN; Japan's 700-strong military participation in the UN mission of support in East Timor; its strong aid relationship with the South Pacific; its active participation (together with Australia) in the establishment and initial development of APEC and the ARF; and its role in developing new forms of regional cooperation through the ASEAN Plus Three mechanism.

Japan is also an active contributor to the UN, in particular through the UN's specialised humanitarian agencies. Japan, together with other countries, has expressed a strong interest in the expansion of the UN Security Council with Japan itself becoming a permanent member. Japan's argument has been that because of its economic weight, its foreign policy activism in Asia and its long-term financial commitment to UN operations, the time has come for Japan to assume a more substantial role in the overall system of global governance.

**On current projections, Japan will continue to be the world's second largest economy over the decade ahead, despite its poor economic performance during the 1990s. If its current activism is sustained, Japan could play an increasingly important foreign policy role in the years ahead - both regionally and globally. Domestic constitutional constraints and entrenched pacifist views within Japan will be moderating influences. That said, recent military deployments in East Timor underline Japan's preparedness to deploy security forces beyond its shores to assist in UN security-related operations. Japan should be encouraged to continue exercising its significant 'soft power' globally and engage in UN peacekeeping operations in a calibrated fashion consistent with global and regional security needs and Japan's constitutional processes.**

### 3. Korean Peninsula

In addition to the Taiwan Straits and India-Pakistan, the Korean Peninsula remains one of the three major unresolved territorial disputes in Australia's wider region. All three involve states which possess weapons of mass destruction. All three, over recent decades, have generated strategic crises of direct relevance to Australia's long-term security interests.

The Korean Peninsula has presented acute strategic challenges given the nature of the North Korean regime, North Korea's nuclear status and continuing state of war which exists between Pyongyang and Washington in the absence of a US-North Korean peace treaty following the Panmunjom Armistice in 1953.

North Korea remains a brutal regime. It is responsible for large-scale, systematic human rights abuses. Its autarkic policies have resulted in large-scale economic failure – leading to widespread death through malnutrition. Externally, North Korea is believed to have been a significant proliferator of WMD-related materials and equipment. The regime is accused of fuelling the global narcotics trade, using proceeds from the sale of both drugs and WMD materials to fund its internal operations.

The collapse of the post-1994 Agreed Framework between the US and North Korea following that country's decision to withdraw from the Non Proliferation Treaty in early 2003 led to a dangerous escalation of tensions on the Korean Peninsula. These tensions were compounded by the North Korean regime's confirmation to US diplomatic representatives in late 2002 that, in addition to its admitted plutonium program, it also possessed a covert highly enriched uranium (HEU) program.

China's efforts to fill the diplomatic void by convening the six party talks (involving China, Japan, Russia, the US, North Korea and South Korea) have assisted in easing these tensions. The third round of these talks concluded in late June 2004. A fourth round of these talks is scheduled to take place later in 2004.

One further cause for modest optimism has been the adoption by the regime of limited economic reforms. These reforms have reportedly involved the abolition of the food rationing system and some price controls; the devaluation of the Won; some decentralisation in the economic decision making process; and the establishment of a number of special economic zones (in part modelled on earlier Chinese experience).<sup>103</sup> These measures will need to be broadened and accelerated if North Korea is to transform its deeply dysfunctional economic system.

The international community's responses to North Korea will be shaped by a number of considerations. The continued strategic threat represented by North Korea requires a continued policy of containment. On the other hand, the beginnings of economic reform, encouraged by the Chinese and increasingly the South Koreans, could provide opportunities for a parallel policy of engagement with the North Korean regime. Some argue that economic engagement could, over time, set in motion the forces for economic, social and ultimately political change. In the short run, economic engagement can help North Korea address its continuing humanitarian crisis. UN agencies estimate that the number of North Koreans who have died as a result of malnutrition, starvation and disease ranges anywhere from 300,000 to 3 million.<sup>104</sup>

---

<sup>103</sup> Cha, Victor, D and Kang, David, C., "Can North Korea be Engaged?" *International Institute for Strategic Studies*, 2004, 46 (2), p 91.

<sup>104</sup> Washington Times, 20 January 2004.

Of direct relevance to North Korea's future is the South, which in the 50 years since the Korean war has transformed itself into an OECD economy and a vibrant democracy. While South Korea's growth was severely affected by the Asian financial crisis of 1997-98, its recovery has been impressive. According to the OECD, South Korea has recorded an annual average growth rate of 6 per cent over the past 5 years.<sup>105</sup>

While 2003 represented a difficult year for the South Korean economy, the World Bank forecasts that growth will return to the 5-6 per cent range in 2004-05 – driven in part by Korea's rapidly expanding exports to China and economic recovery in Korea's traditional markets in Japan and the US.<sup>106</sup>

Understandably, much of South Korea's foreign policy energy focuses on resolution of strategic tensions on the Korean Peninsula and, ultimately, peaceful reunification.

South Korea is the third largest economy in East Asia and represents a significant economic partner for many regional economies, including Australia. South Korea plays an important role in the ASEAN Plus Three forum and discussions on the region's future economic architecture.

**Unresolved tensions on the Korean Peninsula will represent a continuing threat to regional security in the period ahead. Diplomatic, economic and security policy initiatives will need to be harnessed in order to avoid North Korea becoming a future flashpoint for armed conflict. North Korea will also present a continuing, large scale humanitarian challenge for the international community. Any signs of domestic economic liberalisation within North Korea should be encouraged by its regional partners. South Korea's economic weight is expected to continue to grow, as will its importance as a strategic partner for other regional economies, including Australia.**

#### 4. Indonesia and South East Asia

The countries of South East Asia are of primary strategic importance to Australia. That has been the case since World War II, when South East Asia became the corridor through which Australia was threatened. It remains the case today where pan-regional Islamic extremism has emerged as a significant threat to Australian interests.

The region is also of continuing economic significance to Australia. While many regional economies were hit hard by the Asian financial crisis of 1997-

---

<sup>105</sup> OECD, *OECD Economic Survey – Korea 2004*, <http://www.oecd.org>.

<sup>106</sup> World Bank (2004), p.2.

98, their post-crisis recovery has been impressive. This is illustrated in the following table from the Asian Development Bank.<sup>107</sup>

### South East Asian Growth Rates

								July 2004 Forecasts		Difference <sup>1</sup>	Average
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2004	1998-2003
Brunei Darussalam	3.6	-4.0	2.6	2.8	3.0	2.8	3.2	4.0 <sup>2</sup>	...	...	1.7
Cambodia	6.8	3.7	10.8	7.0	5.7	5.5	5.0	5.4	5.4	-0.1	6.3
China, People's Rep. of	8.8	7.8	7.0	7.6	7.3	8.0	9.1	8.7	7.7	0.8	7.8
Indonesia <sup>3</sup>	4.7	-13.1	0.8	4.9	3.8	4.3	4.5	4.6	4.7	0.2	0.6
Korea, Rep. of	4.7	-6.9	9.5	8.5	3.8	7.0	3.1	5.4	4.9	0.2	4.2
Lao PDR	6.9	4.0	7.3	5.8	5.8	5.9	5.9	6.0	6.2	0.0	5.8
Malaysia	7.3	-7.4	6.1	8.9	0.3	4.1	5.3	6.5	5.6	1.1	2.8
Myanmar <sup>4</sup>	5.7	5.8	10.9	13.7	11.3	10.0	10.6	...	...	...	...
Philippines	5.2	-0.6	3.4	6.0	3.0	3.1	4.7	4.8	4.3	0.8	3.4
Singapore	8.6	-0.9	6.9	9.7	-1.9	2.2	1.1	6.9	4.7	2.0	2.8
Thailand	-1.4	-10.5	4.4	4.8	2.1	5.4	6.8	6.6	6.0	0.5	2.2
Viet Nam	8.2	4.4	4.7	6.1	5.8	6.4	7.1	7.3	7.1	-0.1	5.8
East Asia <sup>5,6</sup>	6.3	0.4	6.7	7.5	5.2	6.8	6.7	7.3	6.5	0.7	5.5
East Asia exc PRC <sup>5,6</sup>	4.5	-6.8	6.4	7.3	2.8	5.4	4.0	5.7	5.1	0.5	3.2
ASEAN <sup>5,6</sup>	4.4	-6.7	4.1	6.4	2.0	4.2	4.8	5.8	5.2	0.7	2.4
ASEAN5+2 <sup>6</sup>	6.3	0.4	6.8	7.5	5.2	6.8	6.7	7.3	6.5	0.7	5.6
Five Crisis-Affected <sup>6</sup>	4.1	-7.9	6.5	7.2	3.1	5.7	4.2	5.5	5.0	5.5	3.1

... = not available.

<sup>1</sup>Difference between July 2004 forecasts and the November 2003 forecasts (presented in the December 2003 AEM).

<sup>2</sup>Upper end of government forecast of GDP growth of 3-4% for 2004 from the Department of Economic Planning and Development's Brunei Economic Bulletin.

<sup>3</sup>GDP growth from 1997-2000 are based on 1993 prices while growth from 2001 onwards are based on 2000 prices.

<sup>4</sup>For FY April-March.

<sup>5</sup>Excludes Myanmar for all years; Brunei Darussalam in 2005.

<sup>6</sup>Aggregates are weighted according to gross national income levels from the World Bank's World Development Indicators.

Sources: ARIC Indicators for 1997-2003; 2004-2005 forecasts for ASEAN5+2 and Viet Nam are from Consensus Economics Inc., *Asia Pacific Consensus Forecasts*, July 2004 and November 2003; Asian Development Bank, *Asian Development Outlook 2004* for other countries except for Brunei Darussalam.

Within the region, Indonesia continues to be of primary importance to Australia. The Canberra-Jakarta relationship remains one of Australia's core diplomatic relationships worldwide. A country of 238 million people and an emerging democracy, Indonesia remains a principal strategic and economic gateway to the region for Australia.

Indonesia was severely hit by the Asian financial crisis. The adjustment and restructuring process over the last several years has been particularly painful for Indonesia and it is by no means complete. Recent economic signs have been encouraging, however.

According to the World Bank, the Indonesian economy grew by 4.1 per cent in 2003 – slightly higher than most forecasts predicted.<sup>108</sup> The main driver of this growth was buoyant private consumption expenditure. Investment - the key to sustained recovery - remained disappointing.<sup>109</sup> Fixed capital formation grew by only 1.4 per cent in 2003 and the share of investment in GDP fell slightly to 19.7 per cent – more than 10 percentage points below its

<sup>107</sup> ADB, *Asia Economic Monitor*, July 2004, <http://aric.adb.org/>, p.19.

<sup>108</sup> This economic overview draws on the World Bank's *Indonesian Country Update – April 2004*, <http://web.worldbank.org>.

<sup>109</sup> World Bank (2004), p.2.

pre-Asian crisis level.<sup>110</sup> Exports increased by close to 7 per cent in 2003, reaching US\$61 billion. Non-oil and gas exports to China grew by a remarkable 23 per cent, although evidence suggests that Indonesia's performance lagged behind those of its regional competitors in this market – South Korea, Malaysia, Thailand and the Philippines.<sup>111</sup>

Indonesia's recent economic growth has not translated into a reduction in unemployment. Unemployment rose marginally from 8.1 per cent in November 2002 to 8.5 per cent in August 2003 – around 8 million people. Almost four times this number of people (30 million) worked less than 35 hours per week.<sup>112</sup> The number of poor in Indonesia remains high – with 6.7 per cent of the population living on below US\$1 per day and 53 per cent of the population living on less than US\$2 per day. The World Bank points out that the latter group "remain[s] highly vulnerable to falling under Indonesia's poverty line."<sup>113</sup>

The World Bank expects the Indonesian economy to grow by 4.5 per cent in 2004. Lower interest rates and more robust international demand should underpin this improved performance. Indonesian policy makers face a range of economic policy and development challenges, including governance reform, measures to encourage foreign investment and investment in Indonesia's ageing infrastructure and reforms to improve the poor's access to basic services.

These economic developments have coincided with far-reaching political change. In the few years since the collapse of the New Order regime, Indonesia has successfully negotiated two national parliamentary elections and two presidential elections. On 20 September 2004, the second round of Indonesia's first ever direct presidential election took place. At the time of writing, reports indicated that Susilo Bambang Yudhoyono was likely to win. The result will be confirmed on 5 October 2004.

Indonesia faces a range of security challenges, including the emergence of terrorist organisations that are associated with al Qaeda's global network. While the Indonesian National Police and intelligence authorities (in conjunction with their foreign partners) have worked well to bring some of the Bali bombers to justice, the recent bomb attack on the Australian Embassy in Jakarta underlines the continuing urgency of the threat posed by Jemaah Islamiah and associated terrorist organisations.

The problem with militant Islam is not limited to Indonesia. The Philippines' proximity to Indonesia has meant that Jemaah Islamiah has become a problem for both countries. Close collaboration with the Government of the Philippines will be necessary in any effective region-wide campaign against

---

<sup>110</sup> World Bank (2004), p.2.

<sup>111</sup> World Bank (2004), p.5.

<sup>112</sup> World Bank (2004), p.3.

<sup>113</sup> World Bank, *Indonesia Country Assistance Strategy*, December 2003, p.1.

Jemaah Islamiah and other organisations associated with the al Qaeda network.

Malaysia has also been a positive participant in region-wide efforts to combat terrorism. The new Government of Prime Minister Abdullah Badawi has renewed efforts with ASEAN and other international partners in implementing a broad-based strategy aimed at combating terrorism.

Thailand has also confronted the threat posed by terrorism within its borders. Thai authorities, in partnership with the US, were successful in locating and arresting Hambali, the mastermind of the Bali bombings. The arrests of Hambali and others associated with al Qaeda's South East Asian network have been important developments in the regional campaign against terrorism.

Singapore has been at the forefront of the regional campaign against terrorism, particularly since the terrorist plot against local, US and Australian targets in Singapore in 2001-02. Continued cooperation with Singapore and other regional partners will be critical in any effective campaign to reduce the terrorist threat across South East Asia. The Five Power Defence Arrangement between Australia, Singapore, Malaysia, the UK and New Zealand provides a useful framework for such cooperation.

Whereas democracy is now well developed among many of the older members of ASEAN, this is not the case with some of its newer member states. Human rights abuses in Burma under the current military dictatorship have not abated and the democracy movement of Aung San Suu Kyi remains violently suppressed.

By contrast, ASEAN's newest neighbouring state, East Timor (or Timor Leste), has demonstrated an encouraging robustness in its first experience of parliamentary elections. As a small, newly-established country, East Timor faces difficult political and economic challenges. Building sound economic institutions and securing sufficient revenues to finance basic services (and reduce its dependence on aid) are key priorities. While East Timor has made good initial progress in providing for its own internal and external security needs, cooperation with its partner governments will continue to be important.

**Overall, ASEAN countries will continue to have a significant impact on Australia's immediate strategic and economic environment. The region's success in combating the terrorist threat - at all levels, including operational, recruitment, and financing - will be crucial. South East Asia's continued recovery from the Asian financial crisis will generate further export and investment opportunities for Australia. Human rights abuses in parts of the region - particularly, but not exclusively, in Burma - will continue to be a concern.**

## 5. Regional Architecture

East Asia has not yet developed strong, region-wide institutions fostering economic cooperation and collective security. The region's increasing economic interdependence has been driven by the economic restructuring of Japan, growing intra-regional trade and investment flows, the rapid development of the Newly Industrialised Countries and South East Asia and China's own remarkable economic growth. In the wake of the 1997-98 Asian financial crisis, greater attention has been focussed on ways to strengthen economic cooperation in the region.

There is no NATO-type structure in the region. Nor is there any East Asian equivalent of the CSCE (Conference on Security Cooperation in Europe). Rather, the region's security has been underpinned by a strong, continuing US strategic presence reinforced by a range of alliance relationships with key regional powers. Continuing US strategic engagement has helped prevent the re-emergence of historical tensions between the region's major powers.

On 16 August 2004, President Bush announced the most far-reaching restructure of the US's global military deployments since the Korean War. Under this plan, a number of Cold War-era bases will be phased out and 60-70,000 uniformed personnel returned to the US. Greater emphasis will be placed on the development of more flexible and rapidly-deployable capabilities.<sup>114</sup> This approach will be applied to Asia, with US troop numbers in South Korea to be reduced and strike forces in Guam and elsewhere in the region strengthened.<sup>115</sup> These changes will take years to implement. Nonetheless, it will be important for Washington to assure its regional allies that the US's strategic commitment to East Asia and the Western Pacific will not over time be diminished.

In East Asia, a vigorous debate has been taking place over the last several years about the future shape of the pan-regional architecture. This is very much a work still in progress. But the debate itself should be regarded as a significant change driver in the decade ahead.

*The Association of South East Asian Nations (ASEAN)/The ASEAN Free Trade Area (AFTA)/ASEAN Plus Three (APT)*

ASEAN is one of the oldest continuing organisations in the region. Founded in part as a counterweight to communist victories in Indochina, ASEAN fostered stable regional relations, allowing its members to focus on economic development. An indicator of ASEAN's success has been the recent

---

<sup>114</sup> Office of the White House Press Secretary, Fact Sheet: Making America More Secure by Transforming Our Military, <http://www.whitehouse.gov/news/releases>, 16 August 2004, p.1.

<sup>115</sup> Jennings, Peter, 'Marching in step with US strategy', Australian Financial Review, 19 August 2004, p.63.

accessions of its former political adversaries (Vietnam in 1995, Laos in 1997 and Cambodia in 1999).

In the early 1990s, ASEAN members launched the ASEAN Free Trade Area (AFTA). Under AFTA, ASEAN's more developed members have reduced internal tariffs on a range of goods to between 0-5 per cent. Services trade, investment and sensitive sectors remain subject to a range of restrictions.

Other ambitious proposals have been floated. At the Vientiane Summit later this year, ASEAN leaders will reportedly consider a draft plan of action to facilitate their declared goal of a single ASEAN market and production base by 2020. ASEAN ministers have held preliminary discussions on a possible ASEAN 'security community', including proposals to share anti-terrorism intelligence and stage joint patrols of sensitive maritime zones such as the Malacca Straits.

Beyond ASEAN itself, ASEAN Plus Three (APT, which brings ASEAN together with Japan, China and the ROK) has emerged as a significant regional forum. APT meetings began to be held during the 1990s alongside APEC meetings.

Since 1997, there has been a broadening of support for developing the APT process into a wider East Asian economic grouping. Factors promoting this development have included:

- The traumatic impact on many regional economies of the Asian financial crisis from mid 1997 which prompted some to consider the desirability of regionally-based crisis prevention and crisis management initiatives.
- An emerging regional view that strong regional groupings in Europe and the Americas (the EU and NAFTA) should be matched by greater East Asian coordination and cooperation.
- The inauguration of ASEM (the Asia Europe Meeting) in 1996, which promoted greater internal dialogue within East Asia to try to bring a common 'Asian' view to the ASEM table.

Two areas of cooperation being pursued by APT are trade liberalisation and financial cooperation. APT has expressed concern about the slow progress of WTO negotiations and dissatisfaction at the pace of regional liberalisation through the efforts of ASEAN and APEC. APT is exploring options for deeper financial cooperation, including an Asian Bond Market and various currency stabilisation proposals.

In recent years, APT members have shown increased interest in free trade agreements. China and Thailand signed a limited FTA in October 2003. There has been a China-ASEAN agreement to adopt mutual 'early harvest'

agreements as a precursor to a China-ASEAN FTA (CAFTA) planned for 2010. Japan has indicated an intention to negotiate bilateral FTAs with Singapore, Indonesia, Malaysia, the Philippines and Thailand. South Korea is pursuing separate bilateral negotiations with Japan and has floated the possibility of a Korea-Japan-China regional FTA.

Of particular relevance to Australia is whether any broader East Asian cooperative arrangement will acquire a security policy and political profile over time. The precise shape of this emerging architecture, its institutional culture and long term impact on the region will have profound foreign policy implications for Australia.

#### *The ASEAN Free Trade Area and Closer Economic Relations (AFTA/CER)*

The relationship between ASEAN and Australia and more broadly between ASEAN and the Australia/New Zealand Closer Economic Relationship (CER) has evolved slowly over the last 30 years. In 1974 Australia became one of ASEAN's first external dialogue partners. Australia has been a regular participant in the annual ASEAN post-ministerial conferences.

Despite this 30 year long institutional history, Australian leaders do not participate in ASEAN's annual summits. Nonetheless, it is encouraging that the Australian and the New Zealand Prime Ministers have been invited to attend the November 2004 Vientiane summit that will commemorate 30 years of ASEAN-Australia dialogue. It is unclear at this stage whether this invitation will be offered in future years. It is hoped that this will be the case.

More encouragingly, the ASEAN economic ministers indicated recently that previously-stalled negotiations over the establishment of a free trade area between AFTA and CER would now resume. The successful conclusion of such an agreement would broaden and deepen Australia's economic and political engagement with our nearest neighbours. Progress to date on this project has been painstakingly slow.

#### *Asia Pacific Economic Cooperation*

When the Asia Pacific Economic Cooperation (APEC) forum was launched in 1989 through the combined diplomacy of Australia and Japan, an important objective was to establish a grouping that would bring China and the US together into a common regional framework. Although its original remit was exclusively economic (trade and investment liberalisation and facilitation), as APEC has developed its annual summits have provided an opportunity for leaders to discuss political and security matters as well.

APEC comprises 21 member economies: Australia; Brunei; Canada; Chile; the People's Republic of China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Mexico; New Zealand; Papua New Guinea; Peru; Philippines; Russia; Singapore; Chinese Taipei; Thailand; the US; and Viet Nam. APEC's members represent:

- One third of the world's population.
- 60 per cent of global GDP.
- 47 per cent of world trade.

APEC reached a high point in 1994 with the Bogor Declaration where member economies committed themselves to free and open trade and investment in the Asia Pacific by 2010 for developed economies and 2020 for developing economies. Some member economies have argued for an acceleration of this schedule to generate greater economic benefits and to provide impetus for global trade liberalisation through the WTO. Others have argued for slower progress given the different constraints faced by the various participating economies.

APEC's inability to provide a mechanism for a systematic, regional response to the Asian financial crisis in 1997-98 affected perceptions within the region of APEC's capacity to deal with large-scale challenges to the region's economic future. A view has emerged within the region, although by no means universal, that APEC could have played a higher profile role in the aftermath of the Asian financial crisis. Some have argued that there was a lack of political leadership in mobilising APEC to meet this challenge.

In recent years, APEC has suffered from a sense of drift. While APEC maintains a vigorous trade facilitation work program and, since September 11, has initiated a range of counter-terrorism projects, high level commitment to its core liberalisation vision appears to have faltered. Some APEC members argue that this forum needs comprehensive rejuvenation. The spectre of regional trade becoming distorted by a network of discriminatory bilateral free trade arrangements adds urgency to this task. They point out that for APEC to resume its former significance and role, determined political leadership will be required. Otherwise APEC runs a grave risk of falling by the wayside as policy activity concentrates instead around other emerging regional fora and the proliferation of bilateral FTAs.

#### *The ASEAN Regional Forum*

The ASEAN Regional Forum (ARF) began a decade ago as a regional initiative actively supported by ASEAN's partners, including Australia. Its advocates saw it as a region-wide forum to facilitate dialogue and cooperation on the Asia Pacific's security policy challenges.

Today, the ARF comprises 24 members – Australia, Brunei, Burma, Cambodia, Canada, China, the EU Presidency, India, Indonesia, Japan, Laos, Malaysia, Mongolia, New Zealand, Pakistan, Papua New Guinea, the Philippines, the Republic of Korea, the DPRK, Russia, Singapore, Thailand, the US and Vietnam.

The ARF has agreed on a gradual, three stage evolution involving confidence building measures; preventative diplomacy; and, in the longer term, approaches to conflict resolution.

The ARF does not have a mandate to intervene directly in security disputes. This limitation was evident during the Timor crisis when the ARF was not able to take any independent action although the crisis and its resolution involved a number of member states including Indonesia, Australia and the US.

Since September 11, the ARF has been able to expand its role in the area of counter-terrorism. Australia and Singapore co-hosted a workshop in Darwin in June 2003 on managing the consequences of major terrorist attack. The ARF has also taken an increased interest in efforts to combat piracy and maritime-based terrorism.

The ARF has yet to realise its potential in providing a robust regional security forum for East Asia. The Asia Pacific remains remarkably thinly served by region-wide mechanisms capable of underpinning collective security and managing unresolved security challenges. While APEC provides an opportunity for some cooperation in this area, its main focus remains economic.

#### *The Asia Europe Meeting*

The Asia Europe Meeting (ASEM) is an informal process of dialogue and cooperation bringing EU member states and the European Commission together with Indonesia, Singapore, Malaysia, Brunei, the Philippines, Thailand, Vietnam, the Republic of Korea, China and Japan.

The first ASEM summit was held in Bangkok in March 1996. Since then there has been an ongoing schedule of summit-level meetings every second year, ministerial level meetings in the intervening years and a range of official-level meetings and activities.

Some in Europe see ASEM as providing a global strategic counterweight to the US. Some in Asia entertain a similar view. For others, it is a vehicle to enhance political dialogue, economic engagement, development assistance cooperation and cultural understanding between two increasingly globally significant regions.

Australia to date has not been a participant in ASEM and the prospect of that changing in the foreseeable future is uncertain.

**The emerging South East Asian, East Asian and broader Asia Pacific regional architecture is patchy. On the economic front, APEC appears to be faltering at a time when ASEAN Plus Three is gaining momentum. On the security policy front, the ARF is overseeing some useful work but has a long way to go if it is to provide an effective framework for the**

management of the region's security policy challenges. Regrettably, Australia finds itself at the margins of key debates on the region's future political and economic architecture. More effective Australian diplomacy is needed to change this. For Australia, the stakes are potentially high. As Dr Steven Grenville, former Deputy Governor of the Reserve Bank of Australia, noted recently:

*The point that is relevant to us in Australia is that even if some of the economic issues currently under discussion in East Asia....do not seem to be primary issues in our narrow national interest, the institutional framework which builds up around those issues will be the forum and structures on which deeper regional integration will be built. We may not think the issues are of pressing importance to us, but if we let them 'go through to the keeper' then we will miss out on the other more nebulous benefits of regional integration - learning how to get along with one another. We need to recognise that there is already a very active network of cooperation built largely around ASEAN (and increasingly ASEAN plus three) and the importance of this goes beyond the often technical nature of the specific links... Of course, even if we are keen to take part, our Asian counterparts may take some persuading...."<sup>116</sup>*

## 6. The South Pacific, PNG and New Zealand

The South Pacific is a region of enduring geo-strategic importance to Australia. Australia also has a responsibility, in partnership with the other 15 member states of the Pacific Islands Forum, to engage the region in a manner consistent with the region's long-term security and economic interest. For Australia, this means providing strong leadership that is sensitive to the region's cultural traditions and aspirations.

Security and economic developments vary widely across the region. In some states, urban drift, underemployment and unemployment, inter-tribal rivalry and weaknesses in governance systems have created large-scale security challenges. Some states face acute land shortages, communications difficulties, depleted fish stocks, environmental degradation and the emerging threat of rising sea levels. These problems are in some cases compounded by economic mismanagement and poor standards of governance.

The Solomon Islands provides an example of how a combination of social, ethnic, economic and political factors can coalesce to bring a vulnerable Pacific country to crisis point. In 2000, the then Solomon Islands Prime Minister requested a modest level of police assistance from Australia. This was declined. As recently as early 2003 Foreign Minister Downer wrote in *The Australian* newspaper that:

---

<sup>116</sup> Grenville, Steven, *Integration: Think Global, Act Regional*, Lowy Institute Perspectives, April 2004. p.2.

“Sending in Australian troops to occupy the Solomon Islands would be folly in the extreme. It would be widely resented in the Pacific region....The real show-stopper, however, is that it would not work...”<sup>117</sup>

The Australian Government’s initiative to prevent further deterioration of law and order in the Solomon Islands, the Townsville Peace Agreement, proved to be an expensive failure at a cost of approximately \$22 million to the Australian taxpayer. Even worse, this initiative left the underlying causes of the breakdown in security unaddressed.

Hence when direct intervention was finally agreed, the size and scope of the Australian intervention was much larger than would otherwise have been necessary. The Regional Assistance Mission to the Solomon Islands (RAMSI) was launched in July 2003 at the request of the Solomon Islands Government and Parliament. RAMSI was also endorsed by the Pacific Islands Forum, the Commonwealth and the UN. Its aim was to restore law and order. Over 2000 police, military and civilian personnel from Australia and New Zealand, Fiji, Tonga and Papua New Guinea were initially deployed. The cost to date to the Australian taxpayer is estimated to be at least \$304 million.

Although the initial security stabilisation program has been relatively successful (including the reclaiming and destruction of a large number of firearms), the restoration of the normal processes of police, custodial and judicial administration will involve a longer term commitment on the part of the participating states.

The Pacific Islands Forum is the South Pacific’s primary institutional mechanism for dealing with pan-regional problems on both the security and the economic front. The necessity for greater cooperation amongst Pacific Island countries has been seen most clearly over the course of the 1990s. The development of the Pacific Agreement on Closer Economic Relations (PACER) and the Pacific Island Countries Trade Agreement (PICTA), both signed in 2001, are illustrative of how the region is responding to those challenges. Both are serious attempts by the South Pacific to adapt to the challenges presented by increasing global economic integration.

PACER and PICTA are different in key respects. Entering into Force on 3 October 2002, PACER is an agreement focused on regional trade and economic cooperation. It includes Australia and New Zealand. PICTA, on the other hand, is a free trade agreement that initially applies to the 14 Forum Island countries. PICTA’s current focus is on the trade in goods throughout the Island area; however consideration is being given to its expansion to include services.

---

<sup>117</sup> Alexander Downer, ‘Neighbours cannot be recolonised’, *The Australian*, 8 January 2003.

Similarly, on the security front, the Pacific Islands Forum has been active in developing the Pacific Regional Policing Initiative (PRPI). Announced at the Pacific Islands Forum in August 2003, this is a joint New Zealand and Fijian initiative to improve the effectiveness of local and national police forces. To be implemented over five years, PRPI is emerging as a useful institutional response to regional problems of law and order.

The Pacific Islands Forum and other regional groups will play an important role in meeting the region's security challenges. Continued engagement from Australia and New Zealand is likely to be necessary. In framing their approaches to the South Pacific, Australia and New Zealand need to be mindful of the interest of some Pacific Island states in developing bilateral relationships beyond the South West Pacific – in particular with ASEAN and North East Asia.

### *Papua New Guinea*

As our nearest neighbour, Papua New Guinea (PNG) is critically important to Australia. PNG's long land border with Indonesia, the country's ongoing internal security problems and the enormous development challenges it faces will require sustained high level attention from future Australian governments.

Papua New Guinea is the most populous country in the South West Pacific. It is experiencing a number long-standing security and economic problems. Achieving sustainable, employment-generating economic growth represents a core challenge. The inability to maintain basic law and order in certain parts of the country also looms as a fundamental problem.

Arguably one of PNG's greatest development challenges in the period ahead will be addressing the rapid acceleration of HIV/AIDS infection rates. AusAID has estimated that between 10,000 and 15,000 people in PNG are infected with HIV.<sup>118</sup> According to the Head of the UN AIDS Program, PNG could be on the verge of an African-like AIDS crisis.<sup>119</sup> A significant challenge for Australia over the next decade will be to assist PNG to develop effective, comprehensive and large-scale HIV/AIDS prevention programs. Australian governments will need to work in close partnership with Port Moresby, the World Bank, UN specialist agencies, the Global Fund to Fight AIDS, Tuberculosis and Malaria, NGOs and local community groups.

### *New Zealand*

Australia shares significant economic and strategic interests with New Zealand. New Zealand is a major export market and source of imports for

---

<sup>118</sup> [http://www.ausaid.gov.au/publications/pdf/png\\_hiv aids.pdf](http://www.ausaid.gov.au/publications/pdf/png_hiv aids.pdf)

<sup>119</sup> *Sydney Morning Herald*, 24 March 2004.

Australia. As of June 2003, New Zealand was Australia's third largest outward investment destination. The economic relationship between the two countries continues to be enhanced by the Closer Economic Relations (CER) agreement which has now entered its third decade of operation.

New Zealand is Australia's most important ally in the South Pacific. New Zealand has contributed to:

- The Peace Monitoring Group in Bougainville.
- East Timor where the New Zealand Defence Force provided an infantry battalion assisting in stabilising the highly sensitive border region between East Timor and Indonesia.
- The Regional Assistance Mission to the Solomon Islands (RAMSI), providing an infantry company and other defence force personnel.

New Zealand has been an active contributor to the region's diplomatic and developmental challenges. New Zealand and Australia have worked closely together through the Pacific Islands Forum.

**The security and economic prognosis for the Pacific Island States remains mixed. Security, environmental and economic policy challenges in a number of states will require sustained external commitments if they are to be effectively managed. This will require strong Australian and New Zealand leadership in partnership with individual governments in the region and the Pacific Islands Forum. Australia will need to adopt a stronger preventive approach, tackling problems while they are containable. Policy inertia could over time result in competitive and potentially destabilising diplomatic interventions by non-regional states.**

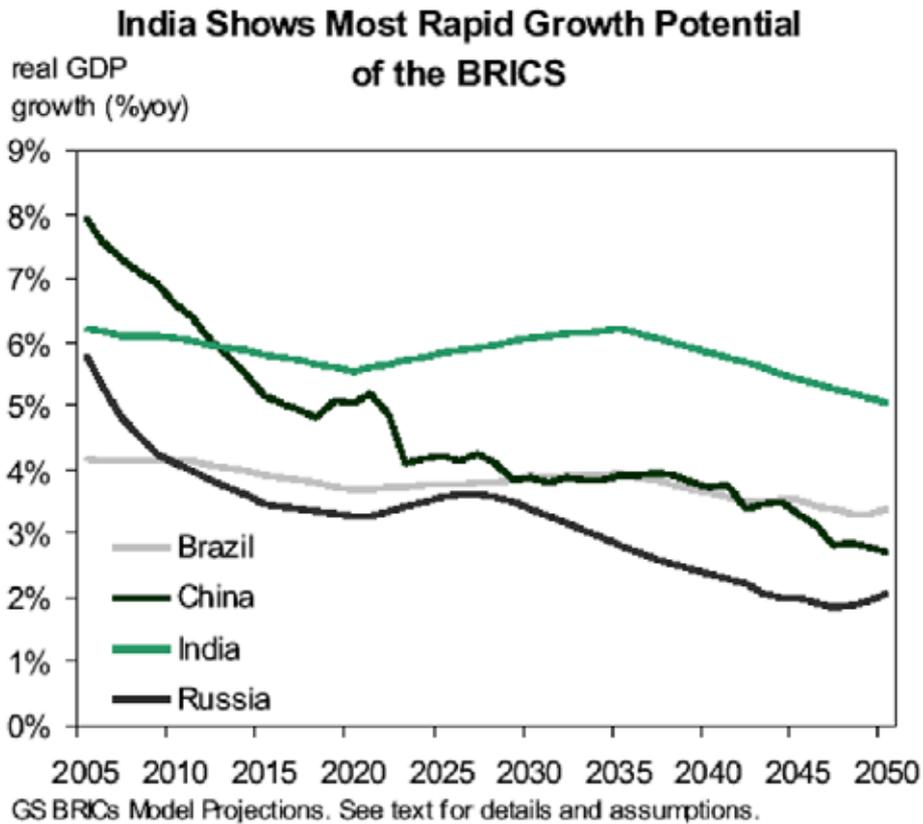
## 7. India

India is emerging as the second major economic locomotive of Asia. A decade following India's departure from previous, unsuccessful economic models, a series of market-based reforms has now realised significant growth in the Indian economy.

As with China, forward economic projections for India are hazardous. India's long-term growth potential, as assessed by Goldman Sachs, is illustrated in the following table.<sup>120</sup>

---

<sup>120</sup> *Dreaming with BRICS: The Path to 2050*, Global Economics Paper No: 99, Goldman Sachs, October 2003, p.5.



In addition to its domestic economic reform program, India has embarked upon a 'Look East' policy aimed at expanding its economic engagement with North East and South East Asia. Ties with China continue to grow at a pace few imagined possible, with annual two-way trade growing at approximately 50 per cent since 1999.<sup>121</sup> In 2002 and 2003, India's Prime Minister attended the ASEAN Summit. At the latter meeting, an India-ASEAN Framework Agreement for Comprehensive Economic Cooperation was signed.

India has normalised its relationship with China, with both sides focusing diplomatic effort on resolving their longstanding border disputes. India has also moved to improve its relationship with the US. India-US relations have flourished and the Bush Administration now speaks of a US-India 'strategic partnership'. Both the UK and France have also declared India to be a strategic partner.

India's relationship with Pakistan remains highly problematic. India and Pakistan fought a limited war in the Kargil sector of Kashmir as recently as 1999. Following a terrorist attack on the Indian Parliament in December 2001 and the attack on Indian civilians in the states of Jammu and Kashmir in May 2002, the bilateral relationship deteriorated to crisis point - with open fears of a nuclear exchange. Effective diplomatic intervention by the US, together with strong political leadership from both Islamabad and New Delhi, averted a crisis and over the last 18 months there has been a significant de-escalation

<sup>121</sup> *Far Eastern Economic Review*, "Dancing Elephants", 29 April 2004.

in tension. Unresolved tensions over Kashmir, however, remain real and India-Pakistan remains one of the three major unresolved territorial disputes in the wider region – in addition to the Korean peninsula and the Taiwan Straits.

Australia's economic and foreign policy relationship with India is a history of unrealised potential. Despite links through the Commonwealth, a shared language, sporting links and a common interest in the long term strategic stability of the Indian Ocean, Australia's political and economic relationship with India remains thin – notwithstanding the rapid transformation of India's relationships elsewhere across East Asia as part of its 'Look East' policy.

**If current policy directions in New Delhi continue, India is likely to emerge in the decade ahead as the region's second major driver of economic growth. India is also likely to become a more active participant in regional foreign policy fora, including debates over the future shape of the region's political and economic architecture. Despite a long history of bilateral engagement and India's pursuit of closer relations with East Asia, Australia's relationship with India remains thin. The drift in Canberra's relationship with New Delhi must be addressed urgently.**

## 8. The Middle East

The Middle East will remain a major driver of global political activity for the decade ahead. Key elements in this equation will be:

- The importance of restarting negotiations for a comprehensive peace settlement between the Israeli and Palestinian peoples.
- The success of Iraq's current political and economic transition.
- Iran's compliance with International Atomic Energy Agency (IAEA) standards in relation to its domestic nuclear program in addition to the future resolution of domestic political tensions within Iran itself.
- The continued impact of uneven economic development, the absence of democracy and the impact of continued Islamist insurgency movements in various parts of the Middle East.

Regrettably, progress on the Israel-Palestine Road Map to Peace (sponsored by the US, the European Union, Russia and the UN in 2002) has ground to a halt. It is imperative that the US and the other parties to the Road Map recommence substantive negotiations following the conclusion of the US Presidential elections. No-one underestimates the complexity of this task given the divisions within Israeli and Palestinian politics. Nonetheless, the absence of a comprehensive and just settlement between the Israeli and Palestinian peoples undermines the prospects for peace in the wider Middle

East region. It also impacts increasingly on the evolving political environment in Islamic South East Asia.

Opposition to the war in Iraq was based on a range of factors, not least of which was the failure of the US-led coalition to allow for the exhaustion of UN processes and for the UN weapons inspectors to deliver a final report on the question of Iraqi WMD. The fact that the US-led coalition went to war in Iraq without the explicit endorsement of the UN Security Council undermined the international legal standing of the ensuing military operation. UN-based deterrence and weapons inspections during the course of the 1990s had in fact achieved considerable progress in dealing with Iraqi WMD programs. For these and related reasons, there is a strong view in the international community that the only effective means of dealing with Iraq in the post war period will be through a return to a central role for the UN in the political transition, economic reconstruction and provision of emergency humanitarian aid for Iraq.

Iraq's future will depend on the ability of the interim Iraqi Government, supported by the international community, to implement the political transformation process outlined in UN Security Council Resolution 1546. This will involve a three stage process including:

- Direct elections by 31 December 2004 (and no later than 31 January 2005) to a Transitional National Assembly.
- Formation by the Assembly of a Transitional Government.
- The drafting of a permanent constitution, with elections for a permanent Assembly under the constitution to take place by 31 December 2005.

The international community has a fundamental interest in the long term political stabilisation of Iraq. It will be important therefore for the international community to continue, through the UN, to provide Iraq with appropriate forms of assistance as the interim Government negotiates its difficult political, economic and security challenges.

The political environment within Iran remains tense since the Guardian Council, comprised of many of the country's conservative, clerical elite, rejected more than 3,500 reformist candidates for parliamentary elections in February 2004 – resulting in a conservative victory at those elections in the face of reformist protest.

The international community continues to be concerned about Iran's nuclear program and its level of cooperation with the IAEA. Any 'nuclear breakout' by Iran would have significant regional and global strategic consequences. European and other efforts aimed at ensuring that Iran returns to full IAEA supervision have been of considerable importance to date – although these efforts will need to be redoubled in the period ahead.

Across the wider Middle East, debates about the region's religious, political and economic future are likely to intensify. The outcome of these debates will have profound long-term consequences for security, stability and economic development of the Middle East, the wider Islamic world and beyond. For this reason, constructive Western engagement in the Israeli-Palestinian peace process together with more effective Western political, economic and cultural engagement with the Islamic world must be key priorities.

**The Middle East will remain a major driver of regional and global change. The absence of an effective peace process between Israel and Palestine; the arduous task of political transformation in Iraq; concerns about Iran's nuclear program; and the development of Islamist political movements dedicated to the removal of moderate administrations represent major challenges for the future. The international community has an important stake in the region's future prosperity and stability. Because the Middle East has an increasingly direct bearing on Australia's overall foreign, economic and national security interests, Australia can no longer afford to be a marginal diplomatic participant in the international debates concerning the region's future.**

## 9. Europe

Europe is the largest trading block in the world. Following the European Union's (EU) expansion in May 2004, its 25 member countries account for roughly one quarter of the world's GDP, generate close to 40 per cent of world trade (including intra-EU trade) and represent a consumer base of over 450 million citizens.

The EU has long been a significant economic and trading power. In recent years, it has signalled its intention to adopt a higher profile security policy role. The 2003 European Security Strategy, for example, argues that: "Europe should be ready to share the responsibility of global security and of building a better world".<sup>122</sup> European participation in ISAF (the International Security Assistance Force) in Afghanistan illustrates an increasing European preparedness to deploy forces in support of peace-keeping functions beyond the European theatre. Europe is also a major participant in international development assistance cooperation. In 2003, the EU provided US\$8 billion in development assistance and individual aid contributions from EU countries totalled US\$36 billion – over half of the total aid provided by OECD countries in that year.

Much of Europe's diplomatic and policy energy has been absorbed by the difficult internal challenges of political expansion, monetary union and more recently the development of the single European constitution. These internal preoccupations are likely to continue in the period ahead although this is

---

<sup>122</sup> European Security Strategy, 'A Secure Europe in a Better World', 12 December 2003.

unlikely to impede Europe's increasing predisposition to argue with a single voice in relevant international fora. In some parts of Europe, this argument is reinforced by the proposition that Europe should act as a strategic and economic counterweight to the US.

Whatever the motivating factors, Europe in the decade ahead can be expected to play an increasingly active role in global, political, environmental and development debates. Europe will also seek to project greater influence in the Asia Pacific region because of the significance of the Asia Pacific as a major driver in the future growth of the global economy.

For these reasons, Australia's interests demand that we pursue a more positive, productive and comprehensive relationship with Europe and the European Union than in the past. Historical and future differences over trade policy will need to be managed within this framework.

Other areas of Australia-EU policy cooperation need to be advanced. The objective should be to restore balance and vitality to the bilateral relationship and work more closely together on global economic, security and environmental policy challenges.

**The EU expansion has created the largest single economic entity in the world. While Europe's energies will continue to focus on internal economic and political challenges, signs are emerging of greater foreign and security policy activism beyond the European theatre. This will engage Australian interests in a range of ways. In the future, Australia must therefore develop a more rounded and balanced political relationship with the European Union and key European capitals in order to maximise our bilateral interests *in* Europe as well as work in partnership *with* Europe in confronting a range of global policy challenges.**

## 10. Africa and Latin America

### *Africa*

The African continent continues to represent major economic and security policy challenges for the international community. The picture across the continent is not an even one, with some countries registering successes in confronting their development challenges and others succumbing to internal conflicts, poverty and disease. As we saw in Chapter 3, many African countries are not performing well against the Millennium Development Goals.

Terrorism continues to represent a major challenge in the Horn of Africa - a continuing focal point in the US led war on terrorism. Following the war in Afghanistan and the defeat of the Taliban and al Qaeda in that country, reports suggest that considerable numbers of Islamic extremists moved from Central Asia to parts of South East Asia and the Horn of Africa.

Apart from terrorism, conflict in Africa continues to exact an unacceptable human toll. The current violence in the Darfur region of Sudan represents the most tragic recent example. It is estimated that at least 50,000 civilians have lost their lives and a further 1.2 million displaced as a result of this conflict. The UN Security Council has passed several resolutions on this crisis, most recently on 18 September 2004. This Resolution welcomes the intention of the African Union to strengthen its monitoring mission in Darfur, calls on the Sudanese Government to meet its obligations and foreshadows further action, including sanctions, if this does not occur.

Elsewhere in Africa, long-running conflicts in Angola, the Republic of Congo and Sierra Leone continue to cost lives. Some progress has been made in reaching peace agreements in these countries, although much work remains to be done.

Large scale human rights abuses continue to occur in many parts of Africa. Zimbabwe provides an unfortunate and continuing example of a regime determined to eliminate its political opposition at whatever cost. The cost of these policies, however, is not just borne by Robert Mugabe's political opponents. It is also borne by the Zimbabwean people who have been subjected to disastrous economic and agricultural policies for more than a decade, resulting in widespread and unnecessary impoverishment, malnutrition and disease.

Africa has sought to deal on a regional basis with many of the security and development problems it has confronted. Since its launch in 2002, the African Union (AU) has enhanced its military capability for managing conflict resolution within the continent. While the political apparatus supporting the AU's operations is not well developed, there is a greater emerging resolve on the part of African states to work collectively in dealing with the fundamental challenges they confront. The challenges, however, remain large.

### *Latin America*

For Latin America, the success story of the last decade has been the democratisation of the continent. Military regimes have been replaced and while general challenges of governance remain, the protection of human rights across Latin America have improved considerably.

The countries of Latin America recorded a mixed economic performance in recent decades. Economic growth during the 1990s averaged 3.3 per cent on this continent, representing a significant improvement on the 1980s when growth averaged only 1.1 per cent. That said, macroeconomic instability, poverty and sharp disparities in wealth and opportunity remain features of key Latin American economies.

Latin American countries are playing an increasingly active role in international fora, including the UN and the World Trade Organisation.

Australia worked closely with Brazil and Argentina in the Cairns Group during the 1980s and 1990s. Regrettably, Australia's leadership of the Cairns Group has faltered in recent years, contributing in part to Brazil becoming a key player in the G20 – an influential group of developing countries that emerged at the WTO Conference in Cancun in 2003.

Latin America therefore engages Australia's interest at a number of levels, including through:

- Bilateral economic opportunities (augmented by the recent expansion of air links between the two continents).
- The need to rejuvenate the Cairns Group (including greater collaboration between Australia and the Latin American leaders, Brazil and Argentina, during the current WTO round).
- Australia's support for the Millennium Development Goal agenda to assist Latin America's long-term development challenges.

Australia's recent political engagement with Latin America has been as thin as it has been with Africa. Canberra's engagement with key Latin American capitals will become increasingly important if Australia is to have a more effective voice in global multilateral fora, including the WTO.

**Africa will continue to present large-scale challenges to the international community. Civil conflict, humanitarian crises, the unchecked spread of communicable diseases and terrorism are undermining the continent's prospects of achieving the Millennium Development Goals. Sustained and creative engagement from the international community will be required. Australian policy makers have largely ignored Africa and Latin America in recent years. This cannot be the case in the future if Australia is to be a fully effective participant in the UN and (in Africa's case) the Commonwealth. Nor can Australia hope to succeed in future UN candidatures if it attaches a low priority to these regions.**

## CHAPTER 5: AUSTRALIAN POLICY RESPONSES

Chapter two identified the values, interests and objectives underpinning our approach to foreign policy. Chapters three and four described the foreign policy terrain Australia is likely to face in the coming period: the complex interrelationship between the principal drivers of global change and emerging regional trends of greatest relevance to Australia.

The purpose of this chapter is to articulate Australia's broader policy responses to these challenges and opportunities. In doing so, we do not claim any particular monopoly of wisdom. Nor do we claim to cover the field. We do, however, argue for a different approach to the Howard Government's because we believe that the Government's foreign policies are likely to render Australia less secure, less prosperous and less humane in the world than we should be.

We also argue for a more comprehensive approach to foreign policy formulation in the future – one that is mindful of the range of factors that now impact on our foreign policy environment and must therefore be incorporated in our foreign policy response. Foreign policy under the Howard Government is narrowly cast. It does not demonstrate an adequate awareness of the range of factors that must now be addressed in the policy process: regional terrorism, the impact of globalisation, resource security, science and technology, sustainable development, demographic change and other change drivers. An effective foreign policy for Australia's future must deal with these new policy dynamics as well.

As noted in Chapter one, this Statement will be supplemented by further foreign policy statements. Because the foreign policy terrain can change rapidly, a Labor Government will produce an annual foreign policy statement to the Parliament that reflects these changes in a timely way. In our view, this is a better approach than the Howard Government's practice of publishing foreign policy White Papers every half decade or so.

**5.1 A Labor Government will replace the formal foreign policy White Paper process with an annual foreign policy statement to the Parliament. A classified version of this document will be prepared for the internal consumption of government. Given the rapidly changing international environment in which Australia operates, this is a more realistic response to the age in which we live.**

### The Three Pillars

Labor's foreign policy framework is based on three pillars:

- Our alliance with the US.
- Our membership of the UN (and our broader contribution to the multilateral system).
- Our policy of comprehensive regional engagement.

Each of these three pillars has its own strategic history. Each has its own strategic logic. Each has its own strategic function. Inevitably they will from time to time be in conflict with one another. That is part of the normal process of making foreign policy. Together, they form part of a balanced foreign policy for Australia - one that best secures our country's future.

### Alliance with the United States

It was the Australian Labor Party that began our alliance with the US under Prime Minister John Curtin. Prior to that, successive Australian governments, both colonial and Commonwealth, had seen Australian foreign policy and defence policy as inextricably part of the collective security arrangements of the British Empire. With Japan's entry into World War II in 1941 followed by the fall of Singapore in 1942, that abiding strategic reality of the preceding 150 years of European settlement in Australia came to a close. It was therefore "without pangs as to our traditional links or kinship with the United Kingdom" that John Curtin looked to America to assist Australia in its time of greatest national crisis.<sup>123</sup> The ANZUS Treaty of 1951 formalised an alliance relationship that had already been operational for a decade.

Twelve successive US Presidents and Australian Prime Ministers - Republican and Democrat, Labor and Liberal - have consistently supported the Australia-US alliance. Although the intervening half century has seen fundamental global and regional strategic change, the alliance has prospered because it has been able to adapt to changing circumstances and to sustain strong bipartisan political constituencies in both countries consistent with our deep, democratic traditions.

Historically, the alliance has been able to sustain a diversity of opinion. During the 1960s, there were fundamental disagreements between Canberra

---

<sup>123</sup> Black, David Ed., *In His Own Words: John Curtin's Speeches and Writings*, Curtin University, 1995, p.195.

and Washington when Menzies was Prime Minister over 'confrontation' with Indonesia; the US military's relationship with Jakarta; and the future of Dutch New Guinea. These were grave disagreements which went to the heart of Australia's strategic relationship with the Indonesian Republic. They featured repeated, unsuccessful, attempts by the Menzies Government to extract security guarantees from Washington in order to apply diplomatic leverage on Jakarta.

During the 1960s and 1970s, the Australian Labor Party publicly opposed US policies in Vietnam. While this led to diplomatic difficulties between the Australian Labor Party and various representatives of the Johnson and Nixon Administrations, the alliance remained strong when Labor returned to political power in 1972.

More recently, there have been disagreements between Canberra and Washington over East Timor. In 1999, Prime Minister Howard called publicly for American 'boots on the ground' in East Timor. This request was politely declined by the Clinton Administration which instead provided Australia with other forms of military assistance in the execution of the East Timor mission.

For Labor, the alliance with the US has never meant automatic compliance with every aspect of US foreign policy. Nor, until recently, has it been the historical approach of the Liberals. Labor has always regarded the alliance with the US as an equal partnership between sovereign governments. Labor has never regarded Australia as a 'Deputy Sheriff' of the US or of any other country.

Labor's approach to the US is grounded in the view that the US has been an overwhelming force for good in the world. US vision and leadership played a critical role in: the economic reconstruction of Europe after World War II; the reconstruction of Japan; the containment of the Soviet Union for the duration of the Cold War; the post-1975 strategic stabilisation of East Asia that has underpinned the economic transformation of this region over the last quarter century; and the final, peaceful defeat of the Soviet Union. Collectively these represent global achievements of historic proportions.

Labor identifies three abiding strategic policy interests that underpin the strength of our commitment to the alliance:

- The continued strategic stabilisation of East Asia and the West Pacific delivered by US alliances with Australia and Japan.
- Australia's intelligence sharing relationship with the US which dates back to 1946 and upon which this country fundamentally depends in fighting the global, regional and national war against terrorism.
- Australia's ability to obtain high quality, state of the art defence platforms, systems and technologies from the US and the benefit

Australia's armed forces derive from joint training and exercises with their US counterparts.

For these reasons, the Australian Labor Party continues its robust support for the US alliance – most recently reaffirmed through the formal platform of the National Conference of the Australian Labor Party in January 2004.

Nonetheless this commitment did not prevent Labor from disagreeing with the Bush Administration and the Howard Government on their decision to invade Iraq. Labor did not believe that the case advanced concerning Iraq's weapons of mass destruction was sufficiently strong to warrant its invasion in the absence of the explicit authorisation of the UN Security Council. Nor did Labor believe that the war in Iraq was a proper extension of the war against terrorism.

Since the war, Labor has argued forcefully for the proper execution of Australia's responsibilities as an occupying power – in terms of both its security policy and humanitarian policy obligations arising from the Geneva Conventions. Australia's period as an occupying power concluded in June 2004 with the handover of sovereignty to an interim Iraqi government. The Labor Party has argued that Australia's principal post-occupation responsibilities lie in the areas of economic reconstruction and humanitarian assistance. Labor has also indicated that in government we would provide non-combatant assistance (service or civilian) to the future UN force in Baghdad to assist with its planning and logistical operations.

Beyond Iraq, Labor in government would look forward to working with the US on the raft of security policy challenges which present themselves across our wider region. The destruction, root and branch, of al Qaeda and its associated terrorist network across South East Asia, in consultation with our regional partners, is a major priority. It is by no means the only one. The depth and operational flexibility of the Australia-US security relationship will enable both countries to respond to a range of security policy challenges. Conforming to both the spirit and the letter of the alliance, this will always be done in a manner consistent with our democratic processes.

#### Australia's membership of the United Nations

Just as Labor under John Curtin initiated Australia's alliance relationship with the US, it was Labor under Ben Chifley and Bert Evatt that cemented Australia's membership of the UN. Evatt played a leading role at the San Francisco Conference in the drafting of the UN Charter and in defining the powers of the UN Security Council.

Australia's commitment to the UN multilateral system has enjoyed bipartisan support for half a century. This support was based on the logic that as a middle power, Australia could deliver better outcomes through a multilateral system, both for itself and for states with similar values and interests. Successive Australian governments have believed it was important to actively

participate in both the shaping and implementation of the multilateral political, economic and security policy order.

Moreover, history demonstrates that small to medium states are normally advantaged by an international, rules-based systems. Such systems generally make international behaviour more predictable. Over time, the UN has evolved a series of enforcement mechanisms and sanctions, however imperfect, aimed maintaining peace and security. Critics of the current international legal architecture invariably fail to ask themselves the basic counter-factual proposition: What would the world be like in the absence of the UN and the UN rules-based system? An anarchic international order is not in the interest of any civilised state, least of all small and medium-sized states.

From Labor's perspective, the UN multilateral system also provides a vehicle for the global articulation of social democratic values. As noted in chapter two, Labor has never believed that social justice stops at the continental shelf. Labor believes that Australian foreign policy is at its best when it is also seeking to deliver social justice principles, processes and outcomes through the machinery of the international system.

Successive conservative governments in Australia have supported the UN multilateral system. Yet the Howard Government in recent years has resorted to a systematic polemical attack on many branches of the UN's operations. The Government's contempt for the UN was clear in the lead-up to the Iraqi War when it dismissed the need for explicit Security Council authorisation for this action. However, its campaign of denigration of multilateralism was clear long before Iraq:

- In 1998, Industrial Relations Minister Reith attacked the UN's International Labour Organisation for daring to question his handling of the 1998 waterfront dispute.
- In March 2000, Foreign Minister Downer attacked the UN Commission on the Elimination of Racial Discrimination for having the audacity to criticise Australia's mandatory sentencing laws.
- In 2002, Foreign Minister Downer said the following in response to the UN High Commissioner for Refugees' criticism of the Government's asylum seekers policy:

“...We here in Australia don't appreciate ill-informed criticism of Australia's policy from international organisations such as some of the United Nations agencies ... It's not what we pay the United Nations to do.”<sup>124</sup>

---

<sup>124</sup> ABC News, 19 June 2002.

- At the outbreak of the Iraq war, the Prime Minister attacked the Security Council when it refused to endorse the war. He stated:

“I believe that if the [UN] Security Council walks away from its responsibilities, it will weaken its authority, perhaps fatally.”<sup>125</sup>

- After the war, Foreign Minister Downer saw fit to point out that:

“Increasingly multilateralism is a synonym for ineffective and unfocused policy involving internationalism at the lowest common denominator.”<sup>126</sup>

It is inevitable that a national government will disagree from time to time with the policies and decisions of multilateral organisations. The Howard Government has damaged Australia’s international standing and reputation by the manner in which it has applied its own form of megaphone diplomacy to the UN. For a middle-sized country like Australia, this approach to diplomacy can entail long term costs through the incremental corrosion of its international credibility.

By contrast, a Labor Government will reaffirm its commitment to the UN and the broader multilateral system. Labor believes the UN needs reform: reform of the Security Council; reform of the UN’s doctrine of international humanitarian intervention; and reforms to enhance the efficiency with which the UN manages its resources. But Labor also believes that the best way to achieve these changes is by working with the UN and like-minded countries – not against the UN.

Just as Labor made a significant contribution to the founding of the UN, so too should the next Labor Government commit itself to the reform of the UN system to better equip it to deal with the security, economic and humanitarian challenges it will face in the future. Criticising the current system for its failings without positively contributing to the debate on the multilateral system’s necessary reform is not an adequate policy response.

### Comprehensive engagement in Asia

The third pillar of Labor’s approach to foreign policy is comprehensive engagement with Asia. Just as it was Labor that initiated our alliance with the US and our membership of the UN, once again it was Labor through Whitlam, Hawke and Keating that initiated this country’s more recent engagement with our region.

Through Labor, a policy of comprehensive regional engagement rests on a basic national interest argument:

---

<sup>125</sup> Agence France-Presse, 30 January 2003.

<sup>126</sup> Press Club Speech, 26 June 2003.

- If Australia has good relations with its neighbours, it's good for our security.
- If Australia has bad relations with its neighbours, it's bad for our security.
- If Australia has good relations with its neighbours, it's usually good for Australia's economy, exports and jobs.
- If Australia has bad relations with its neighbours, the reverse also tends to apply.

Labor's regional engagement credentials are strong: Labor's support for Indonesian independence; the diplomatic recognition of China; the establishment of APEC; the establishment of the ASEAN Regional Forum; the Cambodian peace settlement. These various foreign policy achievements represent a longstanding tradition of Labor's policy activism within the region.

Whereas Labor has consistently sought to advance Australia's security and economic interests in the region, until Fraser the classic conservative foreign policy approach had been to seek Australia's security from the region. It was this approach that underpinned the conservatives' approach to the Vietnam War.

After the fall of Saigon, however, a substantial degree of political bipartisanship emerged concerning the importance of Australia securing its own future in the region. The continuities between Whitlam, Fraser, Hawke and Keating on the question of comprehensive regional engagement were much greater than any discontinuity.

This fundamentally changed following the election of the Howard Government. This has been reflected in a number of Government actions:

- The Prime Minister's response to Hansonism.
- The announcement of the first Howard Doctrine (Australia as the US Deputy Sheriff).
- The second Howard Doctrine (the Prime Minister's embrace of regional military pre-emption as a means of dealing with security policy challenges in our immediate neighbourhood).
- The near breakdown in the political relationship between Canberra and Jakarta following the Tampa affair.
- Foreign Minister Downer's more recent attacks on the Philippines.

- The Government's de-funding of Radio Australia and Australia Television International which had significant broadcast reach within the region.
- The Government's mindless decision to abolish federal funding for the teaching of Asian Languages in Australian schools, thereby ending a previously bipartisan strategy to create an Asia literate Australia among the next generation of Australians.

These and other decisions have badly undermined Australia's standing in the region.

Labor is committed in government to rebuilding the strongest regional credentials possible so that Australia can be a full participant rather than a marginal one in the councils of the region. As we embark upon the Asia Pacific century, this is critically important to our future national and economic interests. Australia cannot afford any further fundamental foreign policy U-turns of the type we have seen over the last half decade on the question of comprehensive regional engagement. Given the interests which Australia now has at stake in the region, this matter should be beyond partisan politics. As with our alliance with the US, comprehensive regional engagement should become part of the permanent bipartisanship of Australia's future foreign policy.

Within the framework of these three fundamental pillars of Australian foreign policy, Labor will address the great global and regional changes that confront us in the period ahead. The three pillars are our reference point in dealing with the detailed policy challenges that we will face. The following section outlines our response to a number of these challenges.

### The US, the UN and the Future of the International System

Two inter-linked debates about the future of the post Cold War, post September 11 global system have not been resolved. How will the US deploy its pre-eminent economic and military power in the world? How best can the multilateral system, with the UN at its centre, enhance global peace and prosperity? Australia has a critical stake in each of these debates.

In chapter three, we noted that debates about the US's future global role have been described as revolving around a number of alternative 'grand strategies':<sup>127</sup>

- A 'strategy of preventative war'.
- A 'strategy of active deterrence and containment.'
- A 'strategy of cooperative multilateralism', which recognises the limitations of US military power and advocates effective multilateralism as the best way for the US to secure its interests.

---

<sup>127</sup> Konb, L and Kraig, M (2003).

Perhaps the greatest foreign policy failing of the Howard Government is its failure to articulate *any* distinctive Australian view on the post Cold War, post September 11 global order. An examination of the Government's foreign policy record reveals, by default, a strategic doctrine based on:

- Uncritical support for US military pre-emption in Iraq in the absence of the explicit backing of the UN Security Council. Much to the consternation of our neighbours, Howard has embraced unilateral pre-emption in our own region.
- Consistent denigration of multilateral cooperation through the UN.

The Howard Government's narrow approach to the US alliance has precluded the development of a mature, constructive partnership with Washington. By replacing the independence of Australian views with a policy of compliance, the Howard Government has opted out of debates that will be critical to the future of both countries. How should the US work with its friends and allies? How can the US work effectively with the UN? The US may have won an uncritical supporter, but it lost a trusted, thoughtful and independent ally – an ally willing to offer distinctive views on matters of common concern. As Kim Beazley has argued, “the US might have gained the compliant ally it wanted, but lost the ally it needed.”

**5.2 A Labor Government will reaffirm the centrality of the US alliance to Australia's long term security. Within the framework of the alliance, Labor will argue that the US maintain a strong strategic engagement in our region. Labor will also argue that the US continue to embrace a combination of active deterrence, effective multilateralism and forward military deployment to serve as the basis of its international policy in the great tradition of successive post WWII administrations.**

**5.3 A Labor Government will take a leading role in international efforts to reform and strengthen the UN and the wider multilateral system. In the area of peace and security, Labor will participate at the highest level in the upcoming debate on Secretary-General Annan's High Level Panel on UN reform on ways to strengthen the UN's capacity to deal with new and complex security threats. Key priorities for Labor will be:**

- **Forging a new consensus on international humanitarian intervention.**
- **Strengthening the UN's peace keeping capacities.**
- **Dealing more effectively with non-state actors (including global terrorists and proliferators).**

## Terrorism

Terrorism represents an urgent, complex and evolving threat to global, regional and national security. Effectively combating this threat presents a number of key challenges for policy makers.

- The terrorist threat blurs traditional distinctions between ‘foreign’ and ‘domestic’ policy, requiring new forms of cooperation and collaboration between government agencies.
- The trans-national nature of the threat requires unprecedented levels of cooperation between states – including state agencies which do not normally have primary responsibility for international engagement.
- The terrorism challenge is a long-term one – meaning that effective counter-terrorism strategies must also be long-term in nature.
- Terrorism is a complex, multilayered and, in some respects, a poorly-understood phenomenon. Counter-terrorism strategies must be comprehensive in nature – embracing intelligence, law enforcement and incident response management, together with innovative measures to address the underlying political, economic and societal factors which terrorists exploit.
- The terrorism challenge is inherently dynamic. Effective responses must be geared to the changing nature of terrorism rather than assume past patterns of terrorist behaviour will necessarily be replicated in the future.

Despite the dimensions of the terrorism challenge, the Howard Government is yet to put in place a comprehensive national counter-terrorism strategy. As Aldo Borgu of the Australian Strategic Policy Institute noted in April 2004:

“...despite the emphasis we seem to place on the seriousness of the terrorist threat Australia still has no overarching national counter-terrorism strategy. We have lots of plans to deal with terrorist attacks after they occur but no whole of government, whole of nation strategy to fight it on an ongoing and long-term basis”.<sup>128</sup>

Nor has the Howard Government articulated a coherent, long-term regional counter-terrorism strategy.

*The urgent need for a comprehensive strategy*

---

<sup>128</sup> Borgu, Aldo, *Terrorism in Southeast Asia – An Enhanced Framework for Cooperation between Japan and Australia in Counter-Terrorism*, Presentation to the Second Japan-Australia 1.5 Track Security Dialogue, Japan Institute of International Affairs, Tokyo, Japan, 14-15 April 2004.

Three years after September 11 and two years after Bali, Australia requires a comprehensive counter-terrorism strategy – a strategy which incorporates:

- Better coordinated national responses.
- Accelerated global responses (in partnership with our American ally and in cooperation with the UN and other multilateral fora).
- Better coordinated regional responses, recognising the region-wide nature of Ji's planning, operations and logistics.

Labor's priority will always be security on the home front and security in the region. That's why Labor has proposed the establishment of the Department of Homeland Security. That's also why Labor has proposed the establishment of an Australian Coastguard. And that is why Labor now argues in this policy statement that Australia must now develop a properly integrated regional response to the terrorist threat.

**5.4 A Labor Government will develop in partnership with regional governments in South East Asia a Comprehensive Regional Counter-Terrorism Strategy. A proposed Strategy is elaborated in Chapter 6.**

The Proliferation of Nuclear, Chemical and Biological (NBC) Weapons

Nuclear, biological and chemical weapons (NBC) remain a grave threat to global security. Technological trends, the activities of persistent proliferators (both state and non-state) and shortcomings of the current counter-proliferation architecture will heighten this threat unless resolute international action is taken. An effective, comprehensive and multi-level international response - addressing proliferators' incentives, opportunities and costs - will be necessary to control and reduce the threat of NBC weapons.

Since the Howard Government took office in 1996, Australia has ceased to be a leader in global arms control and disarmament.

- In 1996, the Howard Government failed to support the recommendations of the Canberra Commission on the Elimination of Nuclear Weapons and has remained silent on the question of nuclear weapons proliferation in South Asia.
- Consistent with its aversion to multilateral diplomacy, the Government has not launched a single significant UN arms control or disarmament initiative in eight years. While Foreign Minister Downer brought the Comprehensive Test Ban Treaty to the UN General Assembly in 1996, Australia's involvement was a legacy of the Keating Government. When the US Senate voted the CTBT down in 2000, Mr Downer made no protest.

- The Government has committed Australia to participate in the US's missile defence (MD) program. It has failed to release substantive details of Australia's involvement. The Government has yet to offer a convincing justification for Australia's participation in a missile defence program. It has not addressed concerns that missile defence has the potential to increase proliferation pressures in our region.
- One potentially positive counter-proliferation activity embraced by the Government is the Proliferation Security Initiative (PSI). This Initiative aims to disrupt illegal trade in WMD-related materials involving states of proliferation concern and terrorist groups. Around 60 countries have indicated support for the PSI. Australia led the first joint maritime exercise in October 2003. Of continuing concern arising from the PSI is its impact on international maritime law and any precedents that may be set because of maritime interceptions on the high seas. This has led to various states participating in the PSI at varying levels depending on their degree of international legal comfort.

Labor will significantly upgrade Australia's counter-proliferation and disarmament profile.

**5.5 A Labor Government will nominate a senior Ambassador for Counter-Proliferation and Disarmament and establish within the Department of Foreign Affairs and Trade a new Office of Counter-Proliferation which will develop and coordinate government policy in this critical area.**

**5.6 A Labor Government will restore Australia's activism, influence and leadership in global counter-proliferation negotiations. We will lead international efforts to strengthen the existing non-proliferation architecture. Particular priorities for an Australian Labor Government will include:**

- **The negotiation of a verification protocol to the Biological Weapons Convention.**
- **Securing speedy ratification by the international community of the Comprehensive Nuclear Test Ban Treaty.**
- **Developing better multilateral machinery to deal with the threat posed by non-state actors using WMD.**

**5.7 A Labor Government will continue Australia's involvement in the Proliferation Security Initiative, recognising that it can make a practical contribution to counter-proliferation efforts. We will structure our participation to ensure that Australia complies with international maritime law - given our reservations about the legality of certain PSI-sponsored**

activities. A Labor Government will engage the US and other PSI partners on implications arising in international maritime law.

**5.8 Labor remains opposed to current proposals for missile defence. Labor also remains concerned about the cost, feasibility and possible proliferation effect of these proposals. Labor recognises that missile defence can range from in-theatre systems to protect combat troops to arrangements designed to shield entire continents. A Labor Government will be prepared to support development of in-theatre missile defence systems that assist in the protection of Australian forces deployed in the field.**

### Globalisation

Accelerating global flows of goods, services, capital and people will continue to shape and drive the global economy, generating wealth and opportunity for competitive, well-governed countries but leaving others behind. The international community needs to do more to manage the opportunities, expectations and vulnerabilities that globalisation brings. A comprehensive outcome of the Doha Round of WTO negotiations must be a key priority.

The International Labour Organisation is a key component of the rules-based, multilateral system that has underpinned global growth and stability and the observance of basic human rights. As the ILO has pointed out: “freedom from forced labour, the abolition of child labour, the elimination of all forms of discrimination and freedom of association and collective bargaining, are vital to human dignity, equality and security.”<sup>129</sup> A number of countries in our own region are guilty of grave and persistent abuses of these rights. The ILO, together with regional partners, has an important role to play in addressing these.

The Government has been largely silent on the need for careful management of the globalisation process to ensure its benefits are widely distributed and costs and vulnerabilities minimised.

- In the midst of the Asian Financial Crisis, the Australian Government failed sufficiently to influence the IMF’s botched intervention in Indonesia. Under the IMF’s strategy, Indonesia was required to increase interest rates and cut social spending – measures which intensified, rather than ameliorated, its economic difficulties.
- The Government’s uncritical advocacy of globalisation fails to acknowledge the need to address the social, environmental, human rights and labour relations dimensions of this phenomenon.
- The Government’s hostility to the International Labour Organisation (ILO) has been clear since it first assumed office. The Howard

---

<sup>129</sup> International Labour Organisation, *A Fair Globalization: The Role of the ILO*, 2004, p.34.

Government reduced Australia's representation at the ILO and has ignored findings of the ILO's Committee of Experts about the failings of Australia's industrial laws.

- In its rhetoric and practice on trade policy, the Howard Government has pursued a distorted agenda, downgrading Australia's traditional emphasis on multilateral liberalisation through the WTO in favour of less beneficial bilateral FTA deals. The problem with this approach is that the Howard Government has failed to devote sufficient attention to the WTO. This has led to the sidelining of the Cairns Group and the rise of other multilateral trade coalitions such as the G20.

A Labor Government will work with like-minded states to reform and strengthen global institutions, to improve the effectiveness of their programs and increase their transparency.

**5.9 A Labor Government will work with other stakeholders to continue the reform of the IMF and World Bank. Key goals will include: ensuring that Bank and Fund-sponsored programs take broader social and equity concerns into account, improving further the IMF's crisis prevention and resolution tools (including options which more fully involve private sector creditors) and ensuring that both organisations contribute more to global debt relief efforts.**

**5.10 Labor supports free trade. Labor does not believe that globalisation should be at the expense of fundamental human rights, including free trade unionism and the observance of core labour standards.**

- **A Labor Government would reverse the Howard Government's policy of disengagement with the ILO. Under Labor, Australia's ties with the ILO will be reinvigorated, recognising the valuable role that this tripartite organisation plays, particularly in the Asia-Pacific region.**
- **A labour attaché will be reassigned to our Geneva mission responsible for the ILO.**
- **Labor is committed to the promotion of the ILO's core labour standards, particularly in the Asia-Pacific region.**

**5.11 Labor Government will focus its trade policy energies on the multilateral agenda, recognising our clear national interest in an open, rules-based global trading system. In this respect, Labor will re-vitalise the Cairns Group. Labor will deal with bilateral FTA negotiations already underway on a case-by-case basis to ensure they are in Australia's national interest.**

**5.12 Labor recognises that more can be done to improve the transparency, procedures and decision making methods of the WTO. A Labor**

**Government will work with like-minded states to reform the WTO to ensure it is more representative, more democratic and better able to take into account the interests of all its members when making new trade rules.**

### Poverty Reduction and Development

Meeting the development aspirations of the world's poor is a humanitarian imperative in its own right, but can also contribute to improved security. Development failures both feed off and contribute to failed states, internal and regional conflicts and religious extremism. More needs to be done to achieve the Millennium Development Goals embraced by the international community. While developing countries must take the lead in improving their own institutions and policies, development assistance, debt relief, investment flows and trading opportunities are necessary to support their efforts.

The Government claims it is taking the MDGs seriously, but has made no credible attempt to benchmark the achievements of Australia's aid programs against these goals. In the absence of this reporting, doubts will remain about the development effectiveness of our key country programs.

Under the Howard Government, Australia's overall aid effort (measured by Official Development Assistance divided by Gross National Income, or ODA/GNI) has fallen from 0.32 per cent in 1995-1996 to 0.26 per cent today. In 2003, Australia's ODA/GNI ratio ranked it 14<sup>th</sup> out of 22 OECD donor countries.

- The Government has spent over \$2.5 billion in aid on Papua New Guinea since it was elected yet admits there has been a "dramatic decline" in the quality of governance in that country, with key health and education indicators in danger of being eroded.<sup>130</sup> While the Enhanced Cooperation Program promises to strengthen PNG's governance capacities, Australia's bilateral aid effort requires a fundamental re-appraisal.
- In 2004-2005, \$48 million has been budgeted by DIMIA to process asylum seekers in Nauru and Manus Island. The Howard Government has counted this money as official development assistance. Nauru will receive a total of \$17.5 million in 2004-2005 as a reward for its participation in the Pacific Solution - \$1,366 for every man, woman and child on this island.
- The Government's reporting of its aid programs (in the Budget and other publications) lacks transparency and clarity. The Budget Papers do not provide clear, detailed breakdowns of planned spending. And

---

<sup>130</sup> Australian Government, *Australia's International Development Cooperation 2004-2005*, Statement by the Minister for Foreign Affairs, 11 May 2004, p.13.

more should be done to report honestly on the successes and shortcomings of ongoing programs.

Labor in Government will adopt the following key principles in advancing our development cooperation programs:

- An overarching focus on poverty reduction and sustainable development, within the framework of the MDGs.
- A commitment to effective partnerships – with developing countries, the international financial institutions, other donors, the private sector and non-government organisations.
- Policy-coherence: ensuring the development impact of non-aid policies is taken into account.
- A strong focus on our immediate region, but without ignoring development challenges elsewhere.
- A commitment to clear, transparent reporting and honest evaluation.
- Rebuilding Australia's aid effort (i.e. ODA/GNI ratio) over time.

**A Labor Government will:**

**5.13 Adopt the Millennium Development Goals as the basis of our overall foreign aid policy, explicitly gearing our aid program to the achievement of the MDG targets.**

**5.14 Ensure the existing aid budget (as a proportion of GNI) is not further reduced and, over time, restore it to its 1995-1996 level of an ODA/GNI ratio of 0.32 per cent.**

**5.15 Negotiate new aid partnerships with the EU and Japan to broaden the scope and impact of Australia's aid program in priority countries and to enhance our ability to deliver MDG outcomes in particular countries.**

**5.16 Work with aid partners and appropriate recipient states with a proposal to launch joint development strategies for individual African and South Pacific countries, with a view to applying MDG targets over long-term development programs.**

**5.17 Work with other countries and multilateral institutions to mobilise additional sources of financing for development, including through existing debt relief efforts.**

**5.18 Convene a high level conference of Australian and international development experts, PNG officials, and non-government organisation**

**representatives on how to improve PNG's development record. PNG's near-crisis HIV-AIDS situation will be a particular focus. The results of this conference will be developed into a series of pilot projects aimed at reinvigorating the overall PNG aid program.**

**5.19 Increase Australia's existing contribution to the Global Fund to fight AIDS, Tuberculosis and Malaria by \$11.25 million over two years.**

**5.20 Strengthen AusAID's evaluation systems and subject all programs to periodic formal evaluation against the development targets that have been set.**

**5.21 Enhance the clarity and transparency of aid program reporting, consulting recipient countries, non-government organisations and academics on how this can best be achieved.**

### Human Rights – Global Political Freedom

Human rights violations are humanitarian failures but also have implications for regional stability and economic development. Progress in tackling these abuses has been uneven and will continue to be so for the foreseeable future. While stronger enforcement of existing international standards is part of the solution, this will not itself address all drivers of human rights violations, including regional conflicts and dysfunctional states. The challenge for Australia is to recognise the broader international security payoffs of an effective human rights policy.

Details of the Howard Government's record on signing and ratification of UN human rights conventions are set out below.

- In August 2000, the Howard Government announced that it would not sign or ratify the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW-OP).
- In December 2002, the Howard Government failed to vote in favour of the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment - choosing to abstain when it was adopted by the UN General Assembly by 127 votes to 4 (41 other countries abstained, including Algeria, Cuba, Libya, Pakistan and Burma). This Protocol aims to strengthen enforcement of human rights standards by establishing a system under which independent national and international bodies visit people who are detained. On 1 December 2003, Foreign Minister Downer said (in response to a question on notice) that the Government "has not yet made a formal decision on signing the Protocol".<sup>131</sup>

---

<sup>131</sup> House of Representatives, Hansard, 1 December 2003, p.23416.

- In addition to these agreements, according to the UN High Commissioner for Human Rights, Australia has signed but not ratified Optional Protocols to the Convention on the Rights of the Child dealing with the involvement of children in armed conflict and the sale of children, child prostitution and child pornography. (The Government is moving towards ratification of the Optional Protocol on the Involvement of Children in Armed Conflict. It is consulting the States on whether their laws comply with the Optional Protocol on the Sale of Children, Child Prostitution and Child Pornography).
- In August 2000, the Howard Government decided to restrict UN Human Rights Committee visits to Australia. As a mature, self-confident democracy, Australia should be setting an example to other countries in this area. By denying these visits, Australia has sent a negative signal to any would-be human rights violators around the world that mainstream states such as Australia now find it acceptable to deny access to UNHRC inspections.
- In Iraq, the Howard Government failed to ensure that its obligations under the Geneva Conventions for the protection of prisoners were met, denying all responsibility for the welfare of Iraqis Australian forces captured during the conflict. The Howard Government's obfuscation and bungling over when it first knew about prisoner abuse allegations has compounded this policy failure.
- The Howard Government has also stated it is considering granting a so-called Article 98 exemption to the US that would prevent Australia from surrendering US nationals indicted of war crimes, genocide and crimes against humanity to the International Criminal Court.
- The Howard Government's policy of 'constructive engagement' with the brutal regime in Burma has failed to have any impact on human rights conditions in that country. Burmese opposition leader Aung San Suu Kyi remains under house detention - over 12 months after she and her supporters were attacked by regime-affiliated forces on 30 May 2003.

**A Labor Government will:**

**5.22 Sign and ratify the Optional Protocol to the Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW-OP) and the Optional Protocol to the Convention against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment.**

**5.23 Ratify Optional Protocols to the Convention on the Rights of the Child dealing with the involvement of children in armed conflict and the sale of children, child prostitution and child pornography.**

**5.24 Reverse the Howard Government's restrictions on the access of UN human rights monitoring bodies to Australia.**

**5.25 Accept full responsibility for Australia's obligations under the Geneva Conventions in Iraq (including the identification of the 114 prisoners of war captured with the assistance of Australian forces and handed over to the US to ensure that each case has been dealt with in an appropriate manner, consistent with the Geneva Conventions).<sup>132</sup>**

**5.26 Rule out granting an Article 98 immunity agreement with the US under the International Criminal Court.**

**5.27 Abandon the Howard Government's policy of 'constructive engagement' with Burma.**

### Science and Technology

Technological revolutions in IT, biotechnology, materials technology and nanotechnology promise to have far-reaching social, economic and environmental effects. Over the coming decades, they will affect patterns of economic and military power in the world. Australia's ability to invest in, create, adapt and apply new technologies will have an important influence on its future security and prosperity.

The Howard Government's headline science and technology packages have failed to close the widening R&D, research infrastructure and education funding gaps between Australia and our main competitors. In his 2003 foreign policy White Paper, Minister Downer pays relatively little attention to the impact of technological change on Australia's long term strategic environment.

**5.28 A Labor Government will address the broader strategic implications of technological revolutions in IT, biotechnology and other emerging areas, integrating these into long term foreign policy planning. A high level Science and Technology Policy Advisor will be appointed within DFAT. This advisor will track and analyse emerging science and technology trends likely to impact on Australia's international competitiveness and international security profile.**

**5.29 A Labor Government will invest strategically in public research and seek new ways to stimulate the private sector to invest in R&D. Labor will invest in the drivers of productivity - education, training, R&D and infrastructure - to lift our long-term global competitiveness.**

---

<sup>132</sup> According to advice from the Australian Department of Defence.

## Resource Security

On current trends, growing demand in China, India and other developing countries in Asia will have an increasing influence on global energy markets, global growth and global security. The Gulf region will continue to be a key source of energy supply, in particular for East Asia. This will have implications for regional security. Australia will need to balance economic and environmental considerations in framing its response to these changes. Disputes between countries over access to water supplies may emerge as a source of tension in some parts of the world.

The Howard Government produced no national energy policy or strategic overview of Australia's long-term energy security needs in its first 8 years in office. The Government's belated attempt to address this failure (its recently-released Energy White Paper) falls well short of coming to terms with Australia's long-term energy security challenges, including:

- The reliability of energy supply, including Australia's increasing dependence on imported oil, the need for greater investment in Australia's energy infrastructure and emergency prevention.
- Necessary energy efficiency and demand-side measures.
- Development of renewable energy alternatives.
- Global climate change (see below).

Minister Downer's 2003 White Paper devotes only two paragraphs to trans-national resource threats to Australia's security. It does not deal with possible long-term changes in regional and global energy markets - and the implications these will have for Australia's security.

**5.30 A Labor Government will work with the States to develop a national energy policy which addresses Australia's growing oil import dependence, long-term energy access and supply needs and global environmental challenges. Specifically, Labor will:**

- **Increase the Mandatory Renewable Energy Target to 5 per cent by 2010.**
- **Support a greater focus on energy efficiency and demand-side management.**
- **Encourage greater emphasis on a gas-based economy as a way to achieve a sustainable energy future.**

**5.31 Labor will ensure energy and other resource security concerns are integrated into our assessments of the regional and global strategic**

**environment and are in turn formally integrated into Australia's national security and foreign policy responses.**

### Sustainable Development

Long term strategic planners recognise that climate change and other environmental risks, if not carefully managed, could adversely affect global growth and security. Over the coming decades, policy makers will have to pay more attention to the interactions between security – both national and global – and sustainable development.

The Howard Government's credentials in this area have been poor. It has adopted a myopic approach to international negotiations, opting out of critical agreements and failing to demonstrate constructive leadership.

- Most conspicuously of all, the Howard Government has refused to ratify the Kyoto Protocol, locking Australian businesses out of a possible global emissions trading regime and leaving Australia's reputation as an environmentally-responsible nation in tatters.

#### **5.32 A Labor Government will ratify the Kyoto Protocol.**

#### **5.33 A Labor Government will play an active and constructive role in taking the Kyoto agenda forward based on the following priorities:**

- **The development of a global emissions trading regime to help industry cut emissions at the lowest possible cost.**
- **Formulation of an ambitious post-2012 agenda to the Kyoto process, including ways to include developing and emerging economies.**
- **Developing renewable energy sources by increasing the Mandatory Renewable Energy Target to 5 per cent by 2010.**

### Demographic Trends

Over coming decades, demographic trends will shape the regional and global strategic environment. Some countries in our region, particularly in North Asia, will be confronted by ageing populations and increasing dependence ratios (i.e. proportion of working age people in overall populations). Other countries, including in the South Pacific, will struggle to provide employment opportunities for growing populations. These pressures could affect Australia in a variety of ways, including through shifting trade and

investment opportunities, migration flows and heightened instability in some countries.

The Howard Government has drawn attention to the domestic economic challenges posed by our ageing society, but has said little about the global and regional implications of current demographic trends.

**5.34 A Labor Government will re-establish a Policy Planning Unit within the Department of Foreign Affairs and Trade to prepare 'over the horizon' analyses of regional and global strategic challenges confronting Australia. Over-the-horizon mega trends including fundamental demographic changes must be factored into our long-term foreign policy planning.**

### China

China's rapid economic growth and transformation, its internal political evolution and its growing international presence are profoundly affecting the region's strategic environment. East Asia's future stability and prosperity, in large part, will depend on how successfully China manages the opportunities, pressures and contradictions it confronts. This is a challenge for China's regional partners, including Australia, as well as Beijing. Deft diplomacy at all levels - bilateral, regional and multilateral - will play a major role, if not a decisive one, in shaping China's future place in the region and wider world.

The Howard Government has adopted what it calls a 'practical' approach to relations with China, advancing cooperation in areas of shared interest. Annual security talks have been re-established, a framework agreement on future trade and investment relations has been signed and (under this agreement) a joint feasibility study on a possible Australia-China free trade agreement has been launched.

More broadly, the Howard Government has failed effectively to engage China on:

- A formal, bilateral framework underpinning Australia's long-term capacity to act as a reliable source of supply in the energy and resource sectors.
- Australia's future role in the emerging East Asian regional architecture.
- Creating a generation of Asia-literate and specifically, China-literate Australians capable of deepening our engagement with the world's next major emerging economy.

By declining to renew funding for the National Asian Languages and Studies in Australian Schools Strategy at the beginning of 2003, the Howard Government has undermined efforts to equip Australia's next generation of business people, consultants, engineers, lawyers and other professionals with

the practical skills necessary to underpin the next phase of economic engagement.

**5.35 A Labor Government will take the Australia-China relationship to a new level by developing a comprehensive bilateral engagement strategy over a 25 year time frame. Key components will include:**

- **Continued adherence to the One China policy.**
- **Making plain to the Taiwanese authorities that the interests of regional stability would not be served by any formal move toward Taiwanese independence.**
- **Engaging in an activist Australian diplomacy on the China-Taiwan question in partnership with the US and other regional states, given the central importance of a peaceful resolution of this dispute for the region's economic and strategic future.**
- **Labor will work with China to develop a 25 year Bilateral Energy and Resources Strategy to position Australia to meet China's long term energy and resources needs.**
- **Developing a long term bilateral framework for economic cooperation in other priority areas, including agriculture and agricultural technologies, biotechnology, environmental management and education.**

**5.36 A Labor Government will work with China on ways to strengthen the existing regional economic architecture, with the revitalisation of APEC and the ARF key priorities.**

**5.37 A Labor Government will engage China on options for deeper Australian participation in the annual ASEAN Plus Three process.**

**5.38 A Labor Government will scrutinise carefully the outcomes of the Government's study on the possibility of beginning formal negotiations with China on an FTA. The potential impact on Australia's manufacturing sector, including China's request that it be treated as a market economy, will be important considerations in this assessment.**

## Japan

Japan has long played a constructive role in fostering closer economic cooperation in the region. Emerging East Asian economies have benefited from Japanese aid, investment and know-how. And Japan, working closely with Australia, helped establish APEC in 1989.

In recent years, Japan has emerged as a more active foreign and security policy actor, sending non-combat troops to East Timor and Iraq and participating in the Proliferation Security Initiative and six party talks on North Korea. In the coming years, Japan will remain a key commercial partner for Australia. There is scope for Australia to work closely with Japan in key regional and global fora, given our overlapping economic and security interests.

The Howard Government recognises Japan's economic importance to Australia as an export market and source of investment and has welcomed Japan's broadening international role, reflected in its contributions to international peace-keeping operations. According to Minister Downer's 2003 White Paper, the Government is working with Japan on ways to strengthen further bilateral economic and strategic links. The Government's objective is to conclude a formal trade and economic agreement, which could lead in the longer run to a free trade agreement.

Despite the Howard Government's periodic rhetoric, there has been an underlying complacency in Canberra in recent years on the bilateral relationship which has resulted in a degree of political drift.

**5.39 A Labor Government will pursue a strong, growing and reinvigorated bilateral relationship with Japan. Beyond the bilateral relationship, a Labor Government would add a new dimension to this relationship, exploring ways to cooperate more closely with Japan on key regional and global priorities, including:**

- **The revitalisation of APEC.**
- **Assisting developing countries in our region (and beyond) achieve the Millennium Development Goals, with a particular focus on the South Pacific.**
- **Working with Japan and other partners to support Indonesia's efforts to strengthen its education system.**

### Korean Peninsula

South Korea has successfully negotiated two difficult transitions over recent decades. It has transformed itself from a poor, largely rural economy to an affluent, industrial powerhouse. And it has evolved from a military dictatorship to a democracy. South Korea has rebounded well from the Asian Financial Crisis, implementing difficult reforms.

North Korea is the last vestige of the Cold War - a highly militarized, economically impoverished, Stalinist dictatorship. North Korea's nuclear ambitions, the risk of economic collapse in that country and its tense relations with South Korea represent grave threats to regional and global security.

Australia has a strong commercial and security relationship with South Korea. And we have a clear interest in the peaceful resolution of the North Korean nuclear standoff and the eventual peaceful reunification of the peninsula.

The Howard Government announced the resumption of diplomatic relations with North Korea in May 2000. The Government has engaged North Korean ministers and officials on that country's nuclear ambitions and welcomed the convening of 6 party talks on this matter. The Government has also provided humanitarian aid to North Korea. In August 2004, Foreign Minister Downer undertook his second visit to Pyongyang - but subsequently made no announcement on what his visit achieved

#### **5.40 A Labor Government will contribute to the stability of the Korean peninsula in the following ways:**

- **Taking an international lead in ensuring the delivery of humanitarian food aid to North Korea.**
- **Engaging North Korea to encourage the broadening of its modest economic reforms by offering training programs in Australia for economic and agricultural officials from the DPRK.**
- **Pursuing active diplomacy in support of the successful conclusion of the six party talks.**
- **Planning with friends and allies a contingency strategy in the event of the six party talks failing.**
- **Engaging in appropriate containment strategies against North Korea, aimed at combating any attempts by the regime to export narcotics and/or WMD-related equipment.**

#### Indonesia/South East Asia

While South East Asia is emerging from the effects of the Asian Financial Crisis (and the SARS and Avian Flu scares), the response has been uneven. For a number of countries in the region, the social and economic consequences of the crisis continue to be felt. The threat posed by regional terrorist groups is a major security concern for the countries of South East Asia. The region's capacity to attract foreign investment and access foreign markets is being challenged, many believe, by China's continued strong economic performance.

Indonesia is grappling with a range of economic, political and social challenges. Its largely peaceful legislative and presidential elections represent

a considerable democratic achievement and a promising sign for the future. Economically, the Government has achieved some progress in stabilizing and reforming its economy, completing its IMF-supported program last year. The continued presence of extremist terrorist groups, combined with a 16 per cent poverty rate, underscore the importance of this country's future growth and stability.

Australia has enduring security and economic interests in the stability, prosperity and sustainable development of South East Asia. Continued missteps in our diplomatic engagement with the region, and in particular Indonesia, at this pivotal time could result in lasting damage to Australia's interests.

Under the Howard Government, Australia's relationship with Indonesia has deteriorated, adversely affecting Australia's interests. At the same time, opportunities for strengthened partnerships have been lost.

- Ministers have engaged in megaphone diplomacy rather than committing to high level partnership and engagement. This has undercut the value of the bilateral counter-terrorism agreement the Government has concluded with Indonesia and other South East Asian countries.
- The Australian Federal Police has worked closely and successfully with the Indonesian authorities to bring the Bali bombers to justice. The Government has taken some steps to build the capacity of the Indonesian National Police, but can do more.
- Government cooperation with Indonesia has failed to adequately address the underlying economic and social factors which give rise to terrorism, including through the education system. Militant Islamic schools are attracting students in large numbers, providing a fertile recruitment ground for extremist terrorist groups.

On the broader regional front, the Howard Government has also registered significant failures:

- Its failure to engage effectively with ASEAN on the emergence of the region's new economic and strategic architecture.
- Its failure to press for deeper engagement with South East Asian countries in the area of maritime security – a crucial front in the war against regional terrorist groups.
- Its consistent mismanagement of the permanent maritime boundary negotiations and the broader bilateral relationship with East Timor – which has undone much of the goodwill Australia had built up with East Timor from the independence process.

**5.41 A Labor Government will enhance Australia's bilateral relations with Indonesia and the Philippines, repairing the damage of the Howard years. Indonesia must be a critical partner in Australia's fight against JI and other regional terrorist groups.**

**5.42 A Labor Government will:**

- **Upgrade the political links between Australia and Indonesia by proposing regular Leaders' visits each way - ideally on an annual basis.**
- **Develop a comprehensive counter-terrorism strategy with the Indonesian authorities. This will include a two year, \$12.5 million capacity-building program for the Indonesian National Police. (Further details are provided in Chapter 6).**
- **Commit \$25 million over two years to support Indonesia's efforts to strengthen its education system. (Further details are provided in Chapter 6).**

**5.43 A Labor Government will negotiate deeper Australian engagement with South East Asian countries on the problem of maritime security, drawing on our expertise and experience in this area and working through the Five Power Defence Arrangement.**

**5.44 A Labor Government will negotiate in good faith with East Timor on the disputed permanent maritime boundaries between our countries, in full accordance with international law. Labor will do all things reasonably practicable to reach a negotiated settlement as rapidly as possible, based on the joint aspirations of both countries.**

**5.45 A Labor Government will work closely with East Timor on the question of its access to declining fish stocks, taking account of East Timor's food security concerns and Australia's international obligations.**

### The Evolving Regional Economic and Security Architecture

East Asia is yet to develop strong, region-wide institutions fostering economic integration and collective security. While there has been an increase in regional dialogue and cooperation in recent years (though ASEAN; ASEAN Plus Three Dialogue, linking ASEAN with Japan, China and South Korea; and the ASEAN Regional Forum), these continue to deliver modest results. On the trade front, APEC's profile and focus have suffered as bilateral free trade deals have gained popularity. Region-wide security cooperation has registered some gains, but continues to fall short of the region's emerging security policy challenges.

Consistent with its emphasis on bilateral diplomacy, the Howard Government's regional diplomacy has been sporadic and lacking in impact. Under the Hawke and Keating Governments, Australia put in place a regional architecture which served Australia's economic and security interests. Under the Howard Government, much of this architecture has fallen into disrepair.

- APEC has lost its way in a tangle of officials-driven agendas and initiatives, moving further away from its founding trade liberalisation aspirations.
- The ASEAN Regional Forum (ARF) serves as a useful forum for discussions on regional security, but has made little progress in achieving deeper cooperation on terrorism and other sources of instability.
- Australia continues to be excluded from key regional fora, including the ASEAN Plus Three dialogue and ASEM.

After eight years of the Howard Government, Australia now lies at the margins of the critical debates within East Asia on the emerging regional architecture - its rules, its procedures, and its institutions. Much of this debate has developed in the ASEAN Plus Three forum where Australia remains on the outer. There is a grave danger for Australia that this architecture will in part be settled before Australia gains entry.

**5.46 A Labor Government will aim to restore Australia's standing and influence in key regional fora, recognising that purely bilateral approaches cannot effectively deal with region-wide threats and opportunities.**

**5.47 A Labor Government will revitalise APEC in partnership with Japan, China, Korea, Indonesia and the US, by sharpening APEC's focus, restoring its trade liberalisation role and increasing its institutional capacity to deal with broader regional economic challenges.**

- **A key challenge for APEC is to ensure the proliferation of bilateral and regional free trade agreements contributes to, rather than undermines, APEC's existing trade liberalisation goals set out in the Bogor Declaration. The Pacific Economic Cooperation Council (PECC), an independent tripartite body made up of businesspeople, academics and officials, has proposed a set of 'common understandings' to help ensure this occurs - including recognition that bilateral and regional FTAs must be WTO-consistent, conform to APEC's liberalisation goals, avoid creating 'spaghetti bowl problems' with overlapping rules of origin and provide opportunities for excluded countries to join.**
- **The APEC Business Advisory Council (ABAC) has proposed that a Free Trade Area of the Asia Pacific (FTAAP) be concluded. A preliminary assessment of this idea is being prepared by the PECC.**

- **A Labor Government will work closely with like-minded countries to revitalise APEC in the lead-up to Australia's hosting of APEC in 2007. If APEC does not respond to the challenge presented by the growing number of sub-regional trade agreements, its profile, relevance and capacity to influence the WTO agenda will continue to slide.**

**5.48 A Labor Government will negotiate with regional partners a more substantive security agenda for the ARF - a primary vehicle for enhancing security cooperation in the Asia Pacific region.**

- **At the 12<sup>th</sup> ARF Ministerial Meeting in 2005, a Labor Government will propose that an ARF Working Group be convened to develop a Comprehensive Regional Counter-Terrorism Strategy within a defined timeframe. (Details of this proposed Strategy are set out in Chapter 6).**

**5.49 A Labor Government will pursue with private diplomacy at the highest levels Australia's future relationship with the ASEAN Plus Three dialogue and other relevant East Asian groupings.**

## India

India is the leading strategic and economic power of South Asia. Economic reforms initiated during the 1990s fuelled higher growth, reduced poverty and spawned a range of high technology activities. India will continue to face profound development challenges.

India has been an active participant in multilateral fora, including the UN and the Commonwealth. In recent years, it has developed closer relations with the US (ending decades of Cold War-inspired tension) and South East Asia. While Australia's cultural and people-to-people links with India are strong, the relationship is characterised by an unrealised political and economic potential.

The Howard Government has pursued a range of bilateral contacts with India, including high level visits in both directions. The Joint Ministerial Commission provides a framework for regular ministerial-level talks. In August 2003, Foreign Minister Downer signed an MOU on combating terrorism with his Indian counterpart.

**5.50 A Labor Government will build on current efforts to realise the economic and strategic potential of Australia's links with India, including by:**

- **Establishing an India Branch within the Department of Foreign Affairs and Trade to boost that Department's capacity to manage and develop the relationship.**
- **Negotiating a pattern of regular Prime Ministerial visits in both directions.**
- **Developing a new India-Australia Biotechnology Initiative linking Indian research and pharmaceutical companies and venture capital funds with their Australian counterparts.**

### New Zealand, PNG and the South Pacific

The South Pacific region is of enduring strategic importance to Australia. Stability, sound governance, economic growth and sustainable resource management within this region are critical to the people of the Pacific and to Australia. Long-term demographic trends, environmental vulnerabilities, unresolved conflicts, poor economic management and development failures, if left unchecked, have the potential to adversely affect Australia's security.

After 5-7 years of indifference, the Howard Government has more recently been an active player in the South Pacific.

- PNG continues to be the largest recipient of Australian aid. In December 2003, Australia and PNG agreed on the Enhanced Cooperation Program (ECP) under which Australian police (up to 230), economic officials, security experts and lawyers will be seconded to PNG departments and agencies. A Treaty to give effect to this program was signed in June 2004.
- In July 2003, the Australian-led Regional Assistance Mission to the Solomon Islands (RAMSI) was deployed to the Solomon Islands at the invitation of the local authorities. This intervention has helped improve law and order and stabilise government finances.
- The Howard Government has encouraged greater regional cooperation through the South Pacific Forum, including pooled transportation resources and a stronger regional role in security.

Labor supports much of the Government's policy change towards the South Pacific since 2003 after seven years of effective disengagement from the region.

**5.51 A Labor Government will give a specific, operational focus to Australia's commitment to the region, a Labor Government will appoint an Assistant Minister for the South Pacific under the Minister for Foreign Affairs and International Security.**

**5.52 For PNG, A Labor Government will provide continued support for the Enhanced Cooperation Program and the Government's efforts to resolve the Bougainville dispute.**

- **A Labor Government will work hard to improve the development effectiveness of Australia's large bilateral aid program for PNG.**
- **Labor will convene a high level conference on PNG development challenges, with a particular focus on the country's HIV/AIDS crisis (See development cooperation section above).**

**5.53 For the Solomon Islands, a Labor Government will propose to the Solomon Islands Government that an Independent Commission Against Corruption (ICAC) be established to consolidate the progress made to date by RAMSI.**

**5.54 A Labor Government will adopt a new approach to cooperative engagement with New Zealand in the Pacific. On 2 April 2004 following his meeting with New Zealand Prime Minister Helen Clarke, Mark Latham issued a statement outlining the basis for future Australia-New Zealand cooperation in the South Pacific. This statement foreshadowed a new approach to regional cooperation entitled Cooperative Engagement. Labor will pursue the following specific initiatives within this framework:**

- **A joint Australia-NZ Development Framework for the South Pacific, embodying a clear commitment to the UN's Millennium Development Goals. Region-specific goals will be articulated within this framework. This initiative will be developed in cooperation with Pacific governments, who would take the lead in developing specific strategies, and civil society groups.**
- **Building on the lessons learned from the Solomon Islands intervention, a joint Australia-NZ Regional Security Initiative will be developed to address the underlying causes of instability before they result in full-blown security crises – of the type we have seen in the Solomons. This will include improved early warning systems, the integration of 'prevention' elements into existing aid programs and agreed response arrangements in the early stages of crises.**

#### Iraq/Afghanistan/Middle East

Labor has believed from the outset that the UN must have a central role in the political and economic transformation of Iraq. Labor believes that the UN played a positive role in Iraq prior to the war – in particular through the UN weapons inspections processes during the 1990s. Various UN agencies have now re-engaged in Iraq to assist the Interim Iraqi Government with the political and economic reconstruction of the country. Labor considers that

this re-engagement should be encouraged by the international community as the best means of rebuilding Iraq and improving the lives of its people.

Under a Labor Government, Australia will remain engaged with Iraq. Our engagement will be different to the Government's, focusing on support for the UN and the security and humanitarian needs of the Iraqi people.

In the coming period, Iraq's Interim Government will face three interrelated challenges – to improve the country's security environment, to ensure elections for a Transitional National Assembly take place by January 2005 and to accelerate the country's reconstruction and development. In its recently adopted Resolution (UNSC 1546), the UN Security Council recognised that the international community has an important role to play in each of these areas.

Afghanistan remains a key battleground in the war on terrorism. Taliban remnants and al Qaeda operatives are active in remote parts of the country. They pose a continuing threat to the Afghan Government and people, the immediate region and – through broader terrorist networks – Australia. A collapse of Afghanistan's fragile political and economic institutions will be a major reverse in the war on terrorism.

The long-running Israel-Palestine conflict is harming the people of both countries and undermining regional security. The Middle East Roadmap launched in June 2003 remains the only available blue-print for peace. The international community has a clear interest in reviving this initiative.

**5.55 A Labor Government will make a substantial contribution to the reconstruction and stability of Iraq. A total of \$75 million over two years will be allocated to help strengthen Iraq's border security and health care systems.**

- **A Labor Government will develop a detailed health strategy for Iraq in consultation with the Iraqi Ministry of Health, the World Health Organisation and major bilateral donors. Key elements of this plan will include:**
  - **Australia leading a consortium of international donors to build a specialist oncology hospital in Baghdad.**
  - **The provision of training for Iraqi health care providers, including those operating at the community level.**
  - **Other interventions to help lower Iraq's high infant, child and maternal mortality rates, including vaccinations, clean water, food rations for pregnant and nursing mothers and malnourished children and emergency humanitarian assistance.**

- A Labor Government will work closely with the US and the Iraqi authorities to strengthen Iraq's border security by enhancing Iraq's customs service capabilities.

5.56 A Labor Government would be prepared to contribute 20-30 non-combatant personnel (service or civilian) to support the UN protection force in Iraq (this force will ensure the security of the UN mission there).

5.57 A Labor Government will continue to deploy the RAAF Orion detachment and ships like the HMAS Stuart in the Gulf under Operation Slipper. This operation pre-dates the Iraqi conflict and is making an important contribution to the war on terrorism.

5.58 A Labor Government will withdraw the Australian troops operating in Iraq under Operation Catalyst by the end of 2004. The security needs of our diplomats in Baghdad will not be neglected. Labor will act on the advice of the Diplomatic Security Advisor of the Department of Foreign Affairs and Trade on this matter at the time of the withdrawal.

5.59 A Labor Government will work closely with the Afghan Government, the UN, and the UK (which has taken a lead in this area) to combat growing opium production and narcotics trafficking in Afghanistan, providing \$22.5 million over two years to fund initiatives including:

- Training for police commandos in Afghanistan.
- Targeted measures to help farmers reduce their dependence on opium cultivation.

5.60 A Labor Government will argue actively for the resumption of the Roadmap to Middle East Peace and engage the US, Israel and other diplomatic partners on how this can be achieved.

## Europe

The 25 member EU is now as significant as the US as a global economic and commercial power. The EU has long been a significant international actor in global trade and environmental negotiations and in the area of development cooperation. While Europeans continue to debate the Union's future foreign and security policy role, it is likely to become increasingly active in these areas.

The Howard Government's approach to Europe has been narrowly-focussed, short-sighted and politically-driven. It has allowed bilateral disagreements (over Brussels' agricultural policies and the Iraq war) to set the tone for the entire relationship, limiting the scope for cooperation in areas of common interest.

Foreign Minister Downer, for example, has said that the EU's stance on Iraq "delivered a deep blow to the confidence of third countries in European like-mindedness and partnership on security issues."<sup>133</sup> This rhetoric ignores the substantial contribution that European countries are making to the war on terrorism, in particular in Afghanistan. And it makes future Australian-EU cooperation on security matters more difficult.

The Howard Government has also shown a particular reluctance to engage the European Commission as a potential strategic partner, preferring to deal with European countries through bilateral channels.

Labor will vigorously pursue European governments and Brussels on the long-standing question of trade liberalisation but will simultaneously seek to broaden the Australia-Europe relationship.

**5.61 A Labor Government will develop a New Partnership for a New Europe. This framework will:**

- **Broaden and deepen our bilateral economic engagement beyond traditional disputes over agricultural access.**
- **Rapidly expand bilateral university student exchanges whereby European and Australian nationals can complete parts of their university courses in partner universities.**
- **Build strong Australian-EU partnerships on global matters where we share common interests, including in the areas of development cooperation, security policy and environmental policy.**
- **A Labor Government will pursue deeper cooperation with the EU in the area of development assistance, including the option of a joint Australia-EU aid strategy to help nominated African and/or Pacific countries achieve the Millennium Development Goals.**

**5.62 A Labor Government will develop closer links with the countries of Eastern and Central Europe through a network of Australian honorary consulates - recognising the emerging commercial opportunities these economies represent and overlapping interests on key trade policy questions.**

**5.63 A Labor Government will continue to address long-standing differences over Brussels' agricultural policies and global trade liberalisation.**

---

<sup>133</sup> AAP, *EU must show unity on security* – Downer, 16 April 2003.

**5.64 In Government, Labor will reaffirm its longstanding and unequivocal support for the sovereignty, independence and territorial integrity of the Republic of Cyprus. A Labor Government will reaffirm the policy of non-recognition of the secessionist Turkish Republic of Northern Cyprus.**

Africa, Latin America and Canada

Africa remains the world's greatest development challenge. While some countries on this continent have recorded promising development gains, others have gone backwards. For example, the actions of Government-sponsored militias in the Darfur region of Sudan are threatening the lives of millions. Already, more than 10,000 people have been killed and an estimated 1 million displaced. Egregious misrule, most conspicuously in Zimbabwe, continues to undermine development and stability elsewhere in Africa.

Latin American economies continue to grapple with significant economic and development challenges although countries across the continent have consolidated democratic forms of government. Brazil, a member of the Cairns Group, has emerged as a key player in WTO negotiations through the G20 group of developing countries.

The Howard Government has, for the most part, disengaged from Africa and Latin America. Diplomatic posts have been closed on each continent and the proportion of Australia's aid budget allocated to Africa has more than halved from the level in 1995-1996 (as outlined in the Budget). In response to Labor's call, the Government increased its initial commitment of humanitarian aid to Sudan to \$20 million.

**5.65 A Labor Government will initiate discussions with the EU on a joint development assistance strategy for a nominated African country. The goal of this strategy would be to help this country achieve the Millennium Development Goals.**

**5.66 In the absence of any improvement in Zimbabwe's human rights record, a Labor Government will downgrade Australia's diplomatic representation in Zimbabwe to the level *charge d'affaires*, maintain pressure on Zimbabwe through targeted sanctions and consider appropriate further multilateral action.**

**5.67 A Labor Government will provide increased levels of humanitarian assistance to Sudan. Should the UN Security Council agree to dispatch a UN force to that country, a Labor Government would be prepared to contribute ADF troops to that operation, consistent with available ADF capabilities.**

**5.68 A Labor Government will argue for the better coordination of the Commonwealth's contribution to Africa's development challenges given the particular status the Commonwealth has in many African states.**

**5.69 On Latin America, a Labor Government will broaden Australia's economic and political engagement with the continent and work closely with Brazil and other like-minded countries, through the Cairns Group and bilaterally, to achieve positive outcomes from the Doha Round of WTO negotiations.**

**5.70 Labor believes there is greater scope for Australia and Canada to work together on critical elements of the multilateral agenda, including disarmament, UN reform, development cooperation and global environmental policy. A Labor Government will enhance our bilateral political relationship with Ottawa to this effect.**

#### Management of Australia's Foreign Policy: The Department of Foreign Affairs and Trade

Australia's capacity to respond effectively to global and regional challenges depends critically on a well-resourced, professional and effective Department of Foreign Affairs and Trade (DFAT). During the Howard Government years, DFAT's budgets have been cut, its language and other expertise diluted and its overseas network scaled back. DFAT's diplomatic reporting and analysis of global and regional trends of direct relevance to Australia's national interests has been degraded.<sup>134</sup> Australian diplomats on posting spend more and more time on administrative matters, leaving less time for their primary diplomatic and analytical functions. Within Canberra a narrow, hierarchical and conformist departmental culture has taken hold, stifling internal debate and weakening the quality and independence of advice to ministers.

A Labor Government will address these concerns in the following ways.

**5.71 A Labor Government will send a clear signal to DFAT that it values independence, contestability and robustness in its assessments and advice. These values will be clearly enshrined in DFAT's management, training and performance evaluation systems.**

**5.72 A Labor Government will enhance the Department's capacity for thoughtful, integrated and forward looking analysis of strategic issues by re-establishing the Policy Planning Unit. Over time, we would look to develop this Unit into a modestly staffed Australian version of the US State Department's Bureau of Intelligence and Research (INR). If adopted, this measure would give DFAT its own voice in the intelligence assessment community. This measure will be complemented by the appointment of a specialist DFAT science and technology advisor. This person will keep the**

---

<sup>134</sup> Dobell, Graeme, 'Diplomatic Compliance', *The Griffith Review*, Spring 2003, pp.65-79.

**Department and Foreign Minister abreast of emerging scientific and technological trends and their implications for international security.**

**5.73 The effectiveness of Australia's diplomats is limited if they are not proficient in the languages of our key political and economic partners. Over the past decade, DFAT's investment in these skills has not kept pace with the department's operational requirements. Labor will address this shortfall by:**

- **Boosting incentives for officers to improve and retain their language skills, including by formally weighting these skills in the graduate recruitment process.**
- **Setting a number of language-related targets for DFAT officers.**
- **Labor will phase in a requirement over time that ambassadors and senior diplomats be required to speak the language of the country they serve in. Exceptions will only be considered on a case by case basis.**

#### Rebadging Australia in the Region: Expanding Radio and Television Broadcasts into Asia

Labor will reverse the Howard Government's short-sighted policies on Radio Australia and Australia Television (ATV) - policies that have significantly weakened Australia's voice and profile in Asia.

Australia's first overseas radio broadcasts began in 1939 two months after the beginning of the Second World War. According to a recent Parliamentary Report, Radio Australia's audience across Indonesia during the 1970s and 1980s was estimated at 20 million people.<sup>135</sup> By 1992, Radio Australia was utilising 14 (National Transmission Agency, NTA) transmitters based in Darwin, Carnarvon, Townsville and Shepparton. In the mid-1990s, the Keating Government invested \$15 million to upgrade the Cox Peninsula transmitters. At this time, RA had the capacity to broadcast throughout Asia, from Pakistan to North Korea and throughout the South Pacific. English programs were being broadcast around the clock and substantive programming was being offered in Mandarin, Cantonese, Japanese, Khmer, Thai, Vietnamese and Tok Pisin.

In September 1992, the Keating Government also provided the ABC with a one-off grant (of \$5.4 million) to establish an international television service targeting the region. After early hopes that this service would be self-funding (including through sponsorship) were not realised, further Government money was committed in 1995 (\$12.6 million over 3 years).

---

<sup>135</sup> Joint Standing Committee on Foreign Affairs, Defence and Trade Report, *Australia's Relations with Indonesia*, tabled on 31 May 2004.

Since its election, the Howard Government has taken a number of decisions to weaken Radio Australia (RA) and, for a time, ATV. While some of these decisions have been partially reversed, the damage to our regional profile has not been undone.

- In the 1997-1998 Budget, RA's funding was cut, reducing its operating budget from \$13.8 million to \$6.3 million. This resulted in a staff cut of over 50 per cent, significant reductions in English and foreign language program output and a halving of the Indonesian service's live daily programming to only 2 ½ hours.
- In the same Budget, the Government announced that funding for shortwave transmission of RA programs would be reduced from around \$7 million to \$2.5 million – and that RA broadcasts from the NTA's powerful Cox Peninsula transmitters would cease after 30 June 1997. According to the 1996-1997 ABC Annual Report, these decisions "severely downgraded" RA's coverage of Asia and adversely affected shortwave reception (in particular in Indonesia). In 1998, the Joint Standing Committee on Foreign Affairs and Trade (in its report, *Australia and ASEAN: Managing Change*) called on the Government to restore RA's access to the Cox Peninsula Transmitters.
- In June 2000, it was reported that the Cox Peninsula Transmitter site had been leased to *Christian Vision*, an evangelistic broadcaster. The Government has been secretive about details of the lease, which is for 10 years. Reports suggest that *Christian Vision* paid only \$2.5 million – which also included the purchase of all movable plant and equipment – a fraction of the site's value.
- After a firestorm of criticism, the Government announced in August 2000 that it would provide RA with \$3 million per annum over 3 years to strengthen its transmission arrangements. The 2003-2004 Budget extended this funding for a further 3 years. This belated policy reversal falls far short of what would be required to restore RA services and reach to pre-1996-1997 levels.
- The Government has also reversed its policy on Australia Television (ATV). In July 1997 (following a Government request that ATV be tendered to the private sector), the ABC announced that the Seven Network had purchased a stake in ATI (Australian Television International, the ABC subsidiary through which ATV had operated). This experiment failed miserably. In March 2001, ATI was closed down by the Seven Network.
- Following a Government announcement that the ABC would be funded to re-establish a regional television service, ABC Asia Pacific (ABCAP) started broadcasting on 31 December 2001. ABCAP provides

English language news, current affairs, documentaries and lifestyle programs with an Australian focus throughout the region.

- ABCAP's current footprint covers Thailand and Indonesia in the west, China, Korea and Japan in the north, the Philippines in the East and the South Pacific. ABCAP is available in around 7 million homes and 190,000 hotel rooms across 35 countries in the region.
- This service has recorded strong audience growth over the past twelve months and is ranked 26<sup>th</sup> out of over 80 available channels in Jakarta, Seoul, Manila and Taiwan. Business decision makers account for 45 per cent of ABCAP's audience.
- ABCAP is planning to convert its single regional service into 3 channels, catering to India, East Asia and the Pacific. This will enable ABCAP to broadcast prime time programming in each market and better target its news and advertising.

**5.74 A Labor Government will reverse the Howard Government's mismanagement of Radio Australia and Australia Television (ABCAP) and rebuild Australia's broadcasting presence in the region. We will set a long term strategic objective for Radio Australia and Australia Television to become 'the BBC of Asia' - with an unrivalled reputation for integrity, independence and credibility.**

**5.75 Labor will invest \$6 million over two years to rebuild and enhance Radio Australia's programming capacity.**

**5.76 Labor will invest \$3.5 million over two years in Australia Television (ABCAP) to enable it to take better advantage of its planned move to a three channel service.**

- **Specific initiatives might include the provision of Chinese and other major language sub-titling.**

**5.77 Labor will investigate the return of the Cox Peninsula transmitters to public control for use by Radio Australia following the expiration of the current lease between the Howard Government and the Christian broadcaster *Christian Vision* so that Radio Australia can once again return to an extensive broadcast footprint across the Asia Pacific Region.**

#### An Asia Literate Australia: Investing in Asian Language Education

Building an Asia-literate Australia is critical for Australia's international competitiveness and capacity to engage with our region.

The Howard Government's 2002 decision to prematurely cease funding for the National Asian Languages and Studies in Australian Schools Strategy (NALSAS), robbing thousands of Australian children of the opportunity to learn about their region, demonstrates its lack of regard for regional engagement. This 12-year strategy was endorsed by the Council of Australian Governments (COAG) in 1994.

From modest beginnings, this strategy achieved remarkable results. From 1994 to 2000, the number of students learning Indonesian in schools almost tripled. Over the same period, the number learning Mandarin doubled. By the end of 2000, three quarters of a million Australian students were studying one of the 4 priority languages of this strategy – Indonesian, Mandarin, Japanese and Korean; almost one quarter of the entire student population.

A parallel emerging problem for Australia is the ageing of its academic and research capabilities on Asia across Australia's universities. The recent study by the Asian Studies Association, *Maximising Australia's Asia Knowledge*, pointed to the decline in Australia's overall Asia specific expertise as a consequence of universities making radical funding decisions following the Howard Government's disinvestment in higher education. This will create for Australia a significant problem in the medium term and will place Australia in a worse position than it has been in this area since the 1960s.

**5.78 A Labor Government will redress the Howard Government's disinvestment in our university sector across the board – thereby enabling universities to foster a new generation of Asia specific expertise in order to equip Australia for the demands of the Asia-Pacific century.**

**5.79 A Labor Government will redress the Howard Government's disregard for the funding of Asian languages and studies in Australian schools, committing \$64 million for these programs to 2009.**

The initiatives outlined in this Statement will be fully paid for by re-ordering DFAT's and AusAID's existing budgets to meet Labor's better priorities. These initiatives will have no net budgetary impact.

## CHAPTER 6: A COMPREHENSIVE REGIONAL COUNTER-TERRORISM STRATEGY

The following strategy derives in large part from detailed discussions between the Shadow Minister for Foreign Affairs and ministers, officials and analysts in Singapore, Malaysia and Indonesia following the Jakarta Embassy bombing on 9 September 2004.

Terrorism represents an urgent, complex and evolving threat to global, regional and national security. Effectively combating this threat presents a number of key challenges for policy makers.

- The terrorist threat blurs traditional distinctions between ‘foreign’ and ‘domestic’ policy, requiring new forms of cooperation and collaboration between government agencies.
- The trans-national nature of the threat requires unprecedented levels of cooperation between states – including state agencies which do not normally have primary responsibility for international engagement.
- The terrorism challenge is a long-term one – meaning that effective counter-terrorism strategies must also be long-term in nature.
- Terrorism is a complex, multilayered and, in some respects, a poorly-understood phenomenon. Counter-terrorism strategies must be comprehensive in nature – embracing intelligence, law enforcement and incident response management, together with innovative measures to address the underlying political, economic and societal factors which terrorists exploit.
- The terrorism challenge is inherently dynamic. Effective responses must be geared to the changing nature of terrorism rather than assume past patterns of terrorist behaviour will necessarily be replicated in the future.

Despite the dimensions of the terrorism challenge, the Howard Government is yet to put in place a comprehensive national counter-terrorism strategy. As Aldo Borgu of the Australian Strategic Policy Institute noted in April 2004:

“...despite the emphasis we seem to place on the seriousness of the terrorist threat Australia still has no overarching national counter-terrorism strategy. We have lots of plans to deal with terrorist attacks after they occur but no whole of government, whole of nation strategy to fight it on an ongoing and long-term basis”.<sup>136</sup>

---

<sup>136</sup> Borgu, Aldo, *Terrorism in Southeast Asia – An Enhanced Framework for Cooperation between Japan and Australia in Counter-Terrorism*, Presentation to the Second Japan-Australia 1.5 Track Security Dialogue, Japan Institute of International Affairs, Tokyo, Japan, 14-15 April 2004.

Nor has the Howard Government articulated a coherent, long-term regional counter-terrorism strategy.

*The urgent need for a comprehensive strategy*

Three years after September 11 and two years after Bali, Australia requires a comprehensive counter-terrorism strategy – a strategy that incorporates:

- Better coordinated national responses.
- Accelerated global responses (in partnership with our American ally and in cooperation with the UN and other multilateral fora).
- Better coordinated regional responses, recognising the region-wide nature of JI's planning, operations and logistics.

Labor's priority will always be security on the home front and security in the region. That is why Labor has proposed the establishment of the Department of Homeland Security. That is also why Labor has proposed the establishment of an Australian Coastguard. And that is why Labor now argues in this policy statement that Australia must now develop a properly integrated regional response to the terrorist threat.

**6.1 A Labor Government will develop in partnership with regional governments in South East Asia a Comprehensive Regional Counter-Terrorism Strategy.**

Australia does currently have such a strategy. Instead, Australia finds itself party to a miscellany of bilateral and regional memoranda of understanding (MOUs), agreements and declarations, including:

- Bilateral MOUs on counter-terrorism cooperation concluded with a number of regional states.
- Various national counter-terrorism action plans coordinated by APEC's counter-terrorism taskforce.
- Regional counter-terrorism workshops under the auspices of the ASEAN Regional Forum (ARF).
- A regional conference in Bali in February 2004 which foreshadowed new forms of counter-terrorism cooperation and the establishment of the Jakarta Centre for Law Enforcement Cooperation to provide training in a range of counter-terrorism skills. This Centre opened in July 2004.
- A counter-terrorism declaration Australia signed with ASEAN countries in Jakarta in July 2004.

Each of these initiatives, when considered in isolation, is worthwhile. However, they do not add up to a coordinated regional counter-terrorism strategy. Nor has the Howard Government outlined the regional machinery through which any such comprehensive strategy could be developed. This has now become an urgent need.

On 20 September, the Howard Government announced a number of additional counter terrorism measures, including two counter-terrorism teams to be located the region, two counter-terrorism surveillance teams and a number of capacity building projects in the region. These initiatives represent a continuation of the Howard Government's piecemeal and unplanned approach to combating regional terrorism. By publicly canvassing the prospect of pre-emptive military strikes on the day they were announced, Mr Howard undercut any positive reception they might otherwise have received in the region.

Labor argues that a comprehensive regional counter-terrorism strategy should be based on five core organising principles:

- Prevention.
- Protection.
- Emergency response management (in the event that terrorist attacks occur).
- Coordinated capacity building across the region.
- A 'hearts and minds' strategy to address the underlying political, economic and societal factors which terrorist groups exploit to their advantage.

A regional counter-terrorism strategy can only deliver results when it has the support of key regional partners. Maintaining positive bilateral relationships with these countries is critical, as is greater Australian engagement in key regional fora.

### Prevention

*An improved national and regional intelligence effort*

Governments must have access to accurate, timely and comprehensive intelligence to break up terrorist groups and prevent terrorist attacks.

Australia has been beset by a number of well-publicised intelligence failures in recent years. The recently completed Flood Inquiry highlighted the failure of Australian intelligence agencies to adequately recognise the threat posed by JI prior to December 2001. As Mr Flood noted:

“Australia and regional countries should have known, by the end of 2001, much more about Jemaah Islamiyah, its development of terrorist capabilities, and its intentions towards Western targets.”<sup>137</sup>

**6.2 Because of these deficiencies and those identified by a parliamentary inquiry concerning the performance of Australia’s intelligence agencies in the lead up to the Iraq war, a Labor Government will initiate a judicial inquiry into certain aspects of the Australian intelligence community. This inquiry will be of fixed duration with defined terms of reference including:**

- **The role of the Australian Security Intelligence Organisation (ASIO) in the overall coordination of the Australian counter-terrorism effort.**
- **The accuracy of the communication of Australian and (where appropriate) foreign sourced intelligence information to the Australian public on the extent of Iraq’s WMD capability and the likelihood of Iraq providing WMD to terrorists, including recommendations on any appropriate protocol on the communication by executive government to the public of intelligence information in the future.**
- **The extent to which Department of Foreign Affairs and Trade (DFAT) travel advisories adequately reflected the intelligence information in the Government’s possession in the period 11 September 2001 to 12 October 2002 on the terrorist threat to Australians in South East Asia, drawing on the Bali inquiries conducted by the Inspector General of Intelligence and Security and the Senate Foreign Affairs, Defence and Trade References Committee.**
- **The implementation and specific impact of Australian intelligence community disruption strategies and tactics against approved targets since the approval of amendments to the Intelligence Services Act in 2001.**
- **The adequacy of the Office of National Assessments’ (ONA) technology, systems and procedures in protecting classified ONA reports in the post 11 September 2001 period.**

First rate intelligence requires closer cooperation between Australian intelligence services and those of our allies and key regional partners.

There are considerable gaps in the region’s overall intelligence capabilities. There are also flaws in the region’s intelligence sharing arrangements, due in part to the absence of a strong tradition of cooperation in this area. In the words of one regional intelligence official: “the level of substantive exchange of information is minimal”. This is despite the fact that regional counter-terrorism officials meet regularly. The complex, evolving and poorly-understood nature of regional terrorism poses additional challenges for

---

<sup>137</sup> Australian Government, *Report of the Inquiry into Australian Intelligence Agencies*, by Philip Flood AO, July 2004, p.177.

regional intelligence services. For all of these reasons, the quality, range and availability of intelligence on regional terrorism are less than they should be.

**6.3 A Labor Government will move to negotiate intelligence sharing protocols across the region to facilitate better flows of intelligence on regional terrorist organisations and individuals.**

**6.4 A Labor Government will assist in developing an enhanced 'open source' database on regional terrorist organisations. This could be based on the existing database being developed by the Institute of Defence and Strategic Studies (IDSS) in Singapore. This database should help regional governments track and understand the evolving regional terrorist threat.**

**6.5 A Labor Government will advocate the development of an appropriate region-wide intelligence database on terrorism. This database will provide Australia and our regional partners with a more accurate, contemporaneous understanding of current terrorist operations.**

*Enhanced cooperation on maritime security*

Maritime cooperation is also necessary in South East Asia to counter sea-borne terrorist activities and movements. Better securing the Straits of Malacca and the Straits of Singapore is of paramount importance – not just for Singapore but also for the region as a whole. At its narrowest point, the Straits of Singapore are just over two kilometres wide. These straits see up to 1400 ship movements a day. In July 2004, Indonesia, Malaysia and the Philippines began joint patrols of these waterways. This is a positive development that a Labor Government would also encourage. Labor also supports joint maritime exercises under the Five Power Defence Arrangement (FPDA) predicated on non-conventional threat scenarios. Operation Bersama Lima conducted in September 2004 represents a case in point.

Under Labor's plan for Australian Coastguard, eight additional Australian law enforcement officers will be deployed to our region to strengthen crime fighting and intelligence partnerships with key partner countries. An enhanced regional intelligence and cooperation network for the Australian Coastguard will also be developed. This network will improve intelligence sharing and help build the maritime law enforcement capabilities of key regional partners.

**6.6 A Labor Government will increase Australia's contribution to regional maritime security across the South East Asian archipelago. As a matter of priority, a Labor Government will consult key regional partners on the need for a coordinated regional strategy to better secure the region's extensive waterways. Enhanced cooperation with Singapore, Malaysia and Indonesia under the FPDA will be a key part of this response.**

*Enhanced policing cooperation*

Enhanced cooperation between the region's police services must also form part of terrorism prevention efforts. Australia already operates modest capacity building and cooperation programs with the police services of Indonesia and the Philippines. While these initiatives are welcome, they are piecemeal in nature. A comprehensive, region-wide capacity building effort must be initiated, based on a full audit of existing policing skills and capabilities.

**6.7 A Labor Government, in partnership with key regional governments, will undertake a comprehensive, region-wide audit of police and law enforcement capabilities. Based on this audit, a Labor Government will formulate, in consultation with regional partners, a long term Law Enforcement Capability Enhancement Program. The purpose of this program would be to fill capability gaps over time through the coordinated provision of regional training programs and other forms of support.**

*Passport security and border controls*

Greater regional cooperation is also required in the areas of passport security, border controls and immigration. Most regional police services and intelligence agencies regard national borders in South East Asia as highly porous. Officials from the Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) have engaged in a number of useful bilateral and regional capability building exercises. DIMIA, for example, has conducted regional training programs through the South East Asian Regional Centre for Counter-Terrorism (SEARCCT). Once again, Australian engagement has been piecemeal rather than systematic in nature.

**6.8 A Labor Government, in partnership with regional governments, will audit capability gaps in regional border control systems. On the basis of this audit, a range of capacity building initiatives will be developed, including focused training programs and the provision of specialised equipment.**

*Cutting off sources of terrorist financing*

Combating terrorist financing must be a key element of any effective terrorism prevention strategy. Some promising steps have been taken in this area, but more needs to be done.

As of 25 September 2004, The Australian Transaction Reports and Analysis Centre (AUSTRAC) had concluded MOUs on intelligence sharing with 27 counterpart organisations around the world, including financial intelligence units in Indonesia, Malaysia and Singapore.<sup>138</sup> AUSTRAC is also providing technical assistance and expert advice to counterpart organisations in Indonesia and other regional countries. As regional capacities are strengthened in this area, region-wide initiatives such as the Asia Pacific

---

<sup>138</sup> According to AUSTRAC's website (<http://www.austrac.gov.au/international/>).

Group on money laundering (APG) gain added teeth. A Labor Government will strongly support AUSTRAC's cooperation with regional partners.

AUSTRAC efforts focus on identifying and tracking electronic funds transfers. Terrorist groups also employ cash-based financing and payment methods. A Labor Government will work with regional partners on ways to better identify and combat non-electronic forms of financing.

A major flaw in global efforts to combat terrorist financing is the burgeoning opium crop in Afghanistan, which earned opium farmers and drug traffickers an estimated US\$2.3 billion in 2003.<sup>139</sup> Part of this income finances terrorist groups and operations.

#### **6.9 Labor will re-engage with Afghanistan, recognising that Afghanistan continues to be a key front in the war on terrorism.**

- **Labor will work closely with the Afghan Government, the UN and the UK (which has taken a lead in this area) to combat opium production and narcotics trafficking in Afghanistan – major sources of funding for al Qaeda and other terrorist groups.**
- **Labor will provide \$22.5 million over two years to fund a range of counter-narcotics initiatives, including funding for the training of police commandos in Afghanistan and targeted measures to help farmers reduce their dependence on opium cultivation.**

#### *Strengthened legal frameworks*

Finally, there is a need to strengthen legal frameworks in some countries to enable them to better deal with terrorist organisations. In Indonesia, for example, legal and practical impediments have created constraints on the Government's capacity to ban suspected terrorist organisations.

#### **6.10 A Labor Government will work closely with Jakarta in support of its efforts to strengthen legal provisions dealing with terrorists and terrorist organisations. A Labor Government will maintain a dialogue with Jakarta on the desirability of proscribing JI and associated organisations.**

#### Protection

A second core element of a comprehensive counter terrorist strategy is the adequate protection of Australian interests and individuals abroad.

Labor has announced a range of measures to improve the protection of Australian infrastructure on the home front, including ports, rail facilities and busy regional airports.

---

<sup>139</sup> United Nations Office of Drugs and Crime (2003), Preface.

Offshore, the Australian Government must attach the highest priority to protecting Australia's diplomatic and consular representatives in the region and beyond. The recent attack on the Australian Embassy in Jakarta underlines the importance of this.

**6.11 A Labor Government will initiate an immediate review of the adequacy of physical protection of all Australian embassies, consulates and diplomatic residences. This review will examine any outstanding requests from our embassies and consulates for improved security arrangements that have not been met by the Howard Government. This review will also include the security of transport arrangements for diplomatic and consular staff.**

Governments must also be concerned about the security of Australian citizens and institutions abroad. On this question, DFAT's recent submission to the Senate inquiry into Australian expatriates provides an indication of the dimensions of the challenge:

- In 2002-03, 5.7 million Australians visited other countries.
- In the same year, 759 849 resided abroad.
- Of these, only 88 711 actually registered with the relevant diplomatic or consular post.
- In 2002-03, there were 1 573 785 Australian visitors to South East Asia
- There were 45 868 Australians resident in the region and of these
- 21 078 were registered with the relevant Australian post.

Meeting the security needs of Australians abroad is a daunting task. The Howard Government addresses this challenge through:

- The provision of travel advisories.
- ASIO's provision of threat assessments to certain Australian interests abroad.
- The operation of ORAO (the Online Register of Australians Overseas).
- The maintenance of a counter-terrorism operational response capability for terrorist incidents overseas involving Australians or Australian interests.

**6.12 A Labor Government will enhance the travel advisory system for Australians travelling abroad by requiring Australian travel agents to provide copies of relevant travel advisories to prospective travellers at the point of ticket purchase. These advisories will include contact details**

**enabling travellers to obtain updated advice immediately before their departure and during their trips. They will also contain information on how travellers should register with Australian embassies and consulates (At present, a significant number of travellers do not take this sensible security precaution).**

Labor is concerned about the potential vulnerability of 'soft' Australian targets overseas. Labor believes a better strategy is necessary for providing protection for such targets in certain defined countries.

**6.13 A Labor Government will review and allocate appropriate funding for assisting Australian social, economic and cultural institutions to enhance their own security arrangements in specified countries around the world.**

**6.14 Labor will monitor the effectiveness of Australia's rapid response capabilities. If necessary, cooperative arrangements between Australian emergency response agencies and their regional counterparts will be enhanced, including through training and joint exercises.**

#### Emergency Response

Key terrorist response capabilities include:

- Emergency response arrangements.
- Capabilities relevant to post attack analysis.
- Disaster victim identification.

Terrorist incident response capabilities vary widely in our region. The Australian Federal Police has cooperative arrangements in place with a number of regional counterpart agencies in the areas of post blast analysis and victim identification. This cooperation needs to be broadened. The Jakarta Centre for Law Enforcement Cooperation will assist in this regard.

The greatest response deficiency in the region concerns emergency services. These deficiencies have been highlighted in an Australian Strategic Policy Institute paper prepared by Professor Ross Babbage, entitled 'Recovering from Terror Attacks - A Proposal for Regional Cooperation'.

**6.15 A Labor Government will initiate negotiations with key regional governments aimed at developing a Comprehensive Terrorist Incident Management and Recovery Strategy.**

**6.16 Consistent with the recommendations of Professor Babbage's paper, this region-wide strategy would provide a framework for specific agreements designed to:**

- **Improve communication between emergency management response organisations across the region.**

- **Facilitate greater information sharing and joint planning between the heads of these agencies.**
- **Increase mutual support in the areas of crisis management and recovery.**
- **Share information on command and control arrangements that would be employed in each country in the event of a major terrorist attack.**
- **Enhance the interoperability of response systems and equipment.**
- **Encourage joint training.**
- **Schedule combined exercises dealing with the types of challenges that major terrorist attacks will present.**

These agreements will take considerable time to negotiate and to implement. While some useful steps have already been taken, a comprehensive effort is now required.

#### Capacity building

A number of centres in the region are contributing to counter-terrorism efforts, including:

- The South East Asian Regional Centre for Counter-Terrorism (SEARCCT) in Kuala Lumpur, which was established in 2003.
- The International Law Enforcement Agency (ILEA) in Bangkok that has only recently taken on a counter-terrorism brief in addition to its traditional counter-narcotics brief.
- The Jakarta Centre for Law Enforcement Cooperation (JCLEC) established in July 2004.

While these centres perform valuable individual roles, their impact is limited by the absence of an overarching regional counter-terrorism strategy; the absence of a clear idea of where capability gaps lie; and the absence of a systematic strategy to overcome these capability deficiencies over time. Each centre tends to 'do its own thing', with the danger that in some areas critical capability deficiencies will not be addressed, while in others duplication will occur.

**6.17 A Labor Government will work with key regional governments to identify counter-terrorism capability deficiencies and better coordinate the work of regional training centres in addressing them.**

**6.18 Within this framework, Labor will work with Jakarta to strengthen Indonesia's counter-terrorism capacities. The Indonesian National Police has only existed in its own right since 1999 (when it was separated from the armed forces). Labor will provide, as part of an Australian Indonesian Joint Counter-Terrorism Program, \$12.5 million over two years to help the Indonesian National Police's capacities in this area.**

### Hearts and Minds

Governments in Indonesia, Malaysia and Singapore have repeatedly emphasised that any effective long-term strategy for dealing with regional terrorism must address the battle for 'hearts and minds'. Officials in Singapore and Malaysia have drawn parallels between this battle and the one waged with communism decades ago. They point out that defeating communist insurgencies required a combination of effective police, security and intelligence work on the one hand, as well as measures to win 'hearts and minds' on the other.

Labor believes that comprehensive counter-terrorism strategies must address the underlying political, economic and social factors which terrorists exploit to recruit new adherents. The Howard Government has consistently ignored this critical dimension of the war on terrorism. This difference was underlined by the Foreign Minister when launching the Government's 2004 whitepaper on terrorism when he stated: "it misconceives the problem to think there are 'root causes' like poverty, disadvantage or hopelessly entrenched political impasses".

While it is important not to be distracted by a simplistic debate about root causes, terrorist recruitment and operations do not occur in a vacuum. To ignore the underlying political, economic and societal factors which terrorists exploit to win recruits and supporters is both naive and irresponsible.

**6.19 Labor will address the underlying social and economic factors that give rise to fertile terrorist recruiting grounds. In Islamic countries, moderate education can play a critical role in shaping civic values and blunting the appeal of extremism. A Labor Government will commit an additional \$25 million over two years to support Indonesia's efforts to strengthen its mainstream education system through an Indonesian Education Partnership. Labor will work with the Indonesian Government and other partners, including the EU, Japan and the US, to build a consortium of international donors. Specific priorities under this initiative include:**

- **Enhancing the quality of teaching, including through strengthened teacher training programs.**
- **Targeted interventions to improve basic education in secular and mainstream religious schools.**

- **Support for curriculum development and the provision of learning materials for schools, including in the area of civics education.**

More broadly, Australia has a strong interest in projecting Australian values and perspectives in South East Asia. The Howard Government's emasculation of Radio Australia's funding, programming and transmission footprint has been a major backward step in this regard, putting Australian public diplomacy back decades.

**6.20 A Labor Government is committed to rebuilding Radio Australia so that Australia can once again project a positive national message about the Australian identity in South East Asia. A Labor Government will also provide additional funding for Australia Television broadcasts into the region. (Further details of these initiatives are contained in Chapter 5).**

#### Improved Bilateral and Regional Diplomacy

Any effective regional counter-terrorism strategy must be built on the back of first class political relations between Australia and the individual governments of the region.

Australia's political relationships with South East Asian governments during the period of the Howard Government have been placed under unnecessary pressure. These pressures have been brought about by:

- Mr Howard describing Australia's role in South East Asia as a US 'Deputy Sheriff'.
- Mr Howard's repeated commitment to a doctrine of regional military pre-emption against our friends and neighbours in the region.
- Mr Downer's crude public attack on the Philippines Government for its handling of a hostage crisis in Iraq.

For Australia to deepen and broaden its counter-terrorism relationships with the governments of the region, it will be necessary for an incoming Labor Government to restore these bilateral relationships to their proper state. Indonesia and the Philippines must be particular priorities.

**6.21 As part of Labor's policy of comprehensive regional engagement, Labor will restore frayed diplomatic relationships with key regional countries. While bilateral tensions will inevitably arise from time to time, Labor believes that these can be handled within the framework of positive political relationships. Labor believes that Australia must demonstrate more effective leadership in regional organisations relevant to Australia's national security and foreign policy interests.**

*The ASEAN Regional Forum*

A Labor Government will pursue its initiative of a Comprehensive Regional Counter-Terrorism Strategy through the ASEAN Regional Forum (ARF).

- The ARF has 'ownership' from ASEAN itself.
- The ARF is the only pan-regional body which has an explicit security-policy focus.
- The ARF has in the past commissioned one-off counter-terrorism workshops (for example in Darwin in 2003 on the management of a major regional terrorist incident).

**6.22 A Labor Government will propose that an ARF Working Group be established to develop a Comprehensive Regional Counter-Terrorism Strategy within a defined timeframe. This group would include Australia, key South East Asian countries and other interested governments. This proposed strategy will provide an over-arching framework for specific initiatives focusing on the five organising principles discussed in this document - prevention, protection, emergency response management, capacity-building and 'hearts and minds' measures.**

The ARF is well placed to engage in a counter-terrorism dialogue with Pakistan, a pivotal country in the global war on terrorism. This dialogue would address a range of issues, including the connections that exist between certain Islamic communities in Pakistan and South East Asia.

While the ARF is well placed to develop such a Strategy, other regional organisations might also be able to play this role. Labor will consult key regional partners on the best way to proceed in this regard.