

# National security overview

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## 2003 in review

### Australian policy trends

The year 2003 was a dramatic one for Australian national security. In March the Howard government committed around 2000 Australian Defence Force (ADF) personnel to the war in Iraq. In late July Australia led a multi-national intervention force into the Solomon Islands. ADF personnel continued peacekeeping roles in East Timor, practised high-seas interception tasks with the United States to prevent the spread of weapons of mass destruction and significantly increased counter-terrorist preparations. At year's end a large contingent of Australian Federal Police and civilian officials were readying to go to Papua New Guinea, attempting to prevent a further deterioration of law and order there.

For much of 2003, national security issues dominated domestic politics. There were heated political debates over Australia's participation in the war in Iraq, over the closeness of the defence relationship with the United States and over border security, in particular, on how to handle illegal immigrants. For the Labor Party, Simon Crean's inability to set convincing policy directions on these issues contributed to his loss of the leadership. For the Liberal and National Party coalition, John Howard's leadership was reinforced by his dominance in the security debate.

In 2003 the Government moved towards a national security approach shaped by the Prime Minister rather than separate defence, foreign affairs and domestic security agendas run by ministers. This was an important change, hastened by the need for better-coordinated counter-terrorism plans covering both international and domestic concerns. Following the Bali bombing on 12 October 2002 counter-terrorism policy work was centralised in the department of Prime Minister and Cabinet and, on 1 July 2003, the department created a new National Security Division. In time, this group will deliver more policy control to prime ministers on critical national security issues.

Even more important than these changes was a shift in the character of Australian national security policy. Australia's prominent place in the 'coalition of the willing', its more activist role in the South Pacific, its closer relationship with China and more measured links with Indonesia, all pointed to the confident behaviour of a middle power with global interests. Critics of the Government's robust approach—and there were many—argued that Australia was not paying enough attention to South-east Asia and that it was too overbearing in the South Pacific. Moreover, the policy of mandatory detention for illegal immigrants was said to be harming Australia's international humanitarian reputation. This will certainly be a continuing theme in 2004, right up to the Federal election, likely towards the end of the year.

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## War in Iraq

In the first quarter of 2003 the Australian Government vigorously argued the case for military operations against Iraq. There were five main grounds. First, Iraq had refused to comply with UN resolutions to reveal the extent of its chemical and biological weapons activities and about nuclear weapons research. Second, it was claimed Iraq had links to terrorist groups, including al-Qaida. What if Iraq passed weapons of mass destruction (WMD) to these groups? Third, the long-term importance to Australia of the US alliance—'alliances are two-way processes' Prime Minister Howard told the National Press Club on 14 March, the argument being that we should back the United States' own objectives for Iraq. Fourth, there was the concern that North Korea would hasten its nuclear weapons program if it saw that the world was turning a blind eye to Iraq. Finally, the Government cited Saddam Hussein's appalling human rights record of slaughtering his domestic opponents and destabilising the Middle East.

Australian forces deployed to the Middle East in January, well ahead of a Government decision to commit to a conflict. This raised eyebrows domestically but was nevertheless a practical step to acclimatise troops and allow some in-theatre training. With the failure of the United Nations Security Council to agree to another resolution on Iraq, the Government agreed on 18 March to commit its forces to military operations. Australian Special Air Service Regiment soldiers were among the first to engage in combat operations. Indeed our role in the war raised a number of 'firsts'—the first Air Force fighter combat operations since the Korean War half a century earlier, and the first Navy gunfire support operation since Vietnam. It was also the first major war Australia participated in without suffering any ADF combat casualties—as much a result of luck as skill and training.

Australia's Iraq involvement was domestically contentious. There were substantial anti-war street demonstrations in March. However, public opinion swung around. In mid-January only 30 per cent surveyed by Newspoll supported a US-led military action while 61 per cent were against. By mid-April, when major combat operations were over, the figures were 57 per cent in favour and 36 per cent against. Labor struggled most to develop a position acceptable to a party base that ranged from those utterly opposed to the war (like Carmen Lawrence), to those (like Kim Beazley) who strongly supported Saddam's ouster.

For many, the symbolic end to the war came on 9 April when US troops pulled down a large statue of Saddam in central Baghdad. Less noticed was the first suicide bomb attack of the war: four Americans were killed on 29 March when an Iraqi soldier detonated a bomb strapped to his body. Terror attacks continue to mark the current phase of the war. Saddam's capture on 13 December may reduce but will not end this challenge to the Coalition's occupation.

And what of the weapons of mass destruction? Evidence points to strenuous Iraqi efforts to hide WMD programs but, thus far, there is no smoking gun in the form of chemical or biological agents ready to be used as weapons. A July Newspoll found that 67 per cent of Australians thought the Government had either inadvertently or deliberately been misleading about Iraq's WMD as a justification for the war. But support for the government remained high, suggesting perhaps that many Australians

accepted the case for removing Saddam on human rights grounds. Hunting for the missing WMD will be a major international preoccupation in 2004.

Australia's participation in the Iraq war was a high stakes decision that paid off for the Government. The early withdrawal of most combat forces meant that we have avoided the worst phases of the conflict. Our participation continues to give access and influence in Washington at a level never before enjoyed by Australia. Domestically the war consolidated the Government's lead in the polls, weakened Simon Crean's leadership of the Labor Party and strengthened John Howard's dominance of the Coalition.

### The threat from terrorism

The Bali bombing of 12 October 2002 killed 202 people, including 88 Australians, and dramatically raised national concerns about the threat of terrorism in Australia and to Australian people and interests overseas. During 2003 the Government significantly increased counter-terrorism preparations—spending an additional \$1.4 billion on new measures. These included expanding the ADF's special forces capability to respond to attacks; boosting intelligence gathering and analysis; increasing air travel security; working more closely with business on critical infrastructure protection and developing a network for counter-terrorism co-operation with countries in the Asia-Pacific.

In February a booklet, *Let's Look Out for Australia*, was sent to every household. It asked people to take more notice of their surroundings and to call a National Security Hotline '...when something seems out of place'. The inclusion of a fridge magnet with the hotline number attracted much media derision. But there was no doubt that the terrorist threat in general and Bali in particular has deeply worried the Australian population. This was reinforced by comments reported in August from Dennis Richardson, the Director General of the Australian Security Intelligence Organisation (ASIO), that 'a catastrophic attack is a certainty and only a matter of time'.

The Government sought parliamentary approval for a Bill to increase ASIO's power to detain and question suspected terrorists. After being blocked in the Senate for many months, Labor voted to make the Bill law in June after getting government agreement to some minor changes. In November the Government came back to Parliament with yet further proposals to strengthen ASIO's powers. The politics of this process was designed to discomfort the Labor Party, which was struggling to balance civil liberties concerns with the need to also look strong on terrorism. For its part, Labor under Mark Latham's leadership is trying to neutralise perceptions that the Government is stronger on national security.

Overseas, terror attacks were both widespread and deadly. They included al-Qaida bomb attacks against Americans and other expatriates in Riyadh, Saudi Arabia on 12 May, and again on 9 November, and in Morocco on 16 May. The British Consulate in Istanbul was car-bombed on 20 November and an Australian citizen was among the 27 killed. Al-Qaida claimed responsibility, saying in a statement: 'We say to the criminal Bush and his valets among the Arabs and foreigners, in particular Britain, Italy, Australia and Japan: you will see the cars of death with your own eyes in the centre of the capital of tyranny'.<sup>1</sup>

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***Indonesian police worked effectively and closely with Australian authorities investigating the Bali bombings. It was an outcome of great substance in the bilateral relationship.***

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Philippines, but Indonesia was the source of greatest concern. Here, the Islamic terror network Jemaah Islamiah (JI)—with funding and training links to al-Qaida—was still feared to be active after the Bali bombing. Jakarta police blamed JI for a bombing outside the House of Representatives on 14 July where no one was injured. On 5 August a car bomb outside the US-owned Marriott hotel in Jakarta killed 12 people. An earlier police raid on a JI cell in central Java found plans to bomb the hotel and the remains of the vehicle's driver were identified as a known JI recruit.

Indonesian police working with the Australian Federal Police had early successes in capturing JI members who were linked to the Bali bombings. On 7 August Amrosi—the smiling bomber—was sentenced to death by a court in Bali, convicted for buying the explosives used in the attacks. The chief planner of the attack, Imam Samudra, was sentenced to death on 12 October. After sentencing he shouted in court: 'America, Australia go to hell!' Ali Imron received a life sentence on 18 September for assembling the bomb. Trials continue for other suspects. At the times of the bombings few would have anticipated that the Indonesian police would have worked so effectively or so closely with Australian authorities. It was an outcome of great substance in a bilateral relationship that both parties at times found difficult to manage.

Even though the Bali prosecutions went well, Indonesia was more broadly presented with a huge problem in countering terrorism. President Megawati has been disinclined to appear too forceful in attacking militant Islamic organisations. And there are doubts over the capacity of Indonesian intelligence, police and court systems, to successfully go after terrorists. These concerns crystallised around the trial in Jakarta of Abu Bakar Bashir, the Islamic cleric, said also to be the spiritual leader of JI. Arrested in October 2002, Bashir was accused of treason for plotting an assassination attempt on Megawati, for the Christmas Eve 2000 bombings of Christian churches that killed 19, and for approving a plot to bomb the US embassy in Singapore in 2001.

Many of the Bali bombers had studied at Bashir's Islamic Boarding School at Hgruki in Java, but no formal charges were made in connection with those attacks. On 2 September Bashir was convicted of a lesser charge of subversion and sentenced to four years in prison. The leniency of the court findings raised international concerns about Indonesia's seriousness in prosecuting terrorists. The day after the sentencing, Indonesian Vice President Hamzah Haz defended his links with Bashir and said that the United States was 'the real terrorist'. An appeal court in December subsequently cleared Bashir of the treason charges but upheld a conviction for immigration offences with a three-year jail term. Speaking from prison in late December, Bashir told a group of supporters that 'Imam Samudra, Mukhlas, Amrosi and his friends are not terrorists either, they are fighters of the army of God'.<sup>2</sup>

By the end of 2003 some 200 JI members had been arrested in the region, including Hambali, JI's operations chief, who was arrested in Thailand in August. Hambali was wanted both in Indonesia and the Philippines for terror attacks and is reported to have been the only non-Arab senior member of al-Qaida and to have been involved in planning for the September 11, 2001 attacks in the US. Throughout South-east Asia the

challenges of fighting terrorism pose great difficulties for governments that have to wrestle with the difficulties of dealing with extremist groups, often inefficient intelligence and police services and, often, a reluctance to acknowledge that this is a very serious problem. Australia has sought to develop bilateral and multilateral counter-terrorist activities in the Asia-Pacific as a way of helping the region come to terms with the problem.

#### Intervention in the Solomon Islands

In Australia's nearer region, 2003 saw growing concerns about the stability of many South Pacific Island states. From East Timor and the Micronesian islands to our north, through the Melanesian islands of Papua New Guinea, the Solomon Islands and Vanuatu, to the far-flung Polynesian islands in the mid-Pacific, the nature of this problem is distressingly similar. Island economies are stagnating, infrastructure is crumbling and health problems and populations are rapidly growing. Island governments are unable to reverse these trends and are frequently part of the problem. Corruption is spreading and island communities are vulnerable to carpetbaggers and organised crime. The Solomon Islands in particular has been marked by increased ethnic violence between different tribal groups and lawlessness, which has undermined the economy and paralysed government.

Australia's position on the South Pacific dramatically changed during 2003. At the start of the year the Canberra consensus was that little could be done to stop these bad outcomes. A Foreign Affairs white paper released in February said, 'Australia cannot presume to fix the problems of the South Pacific countries. Australia is not a neo-colonial power.' In the same month a Defence 'Strategic Update' said 'the Australian Government should not be expected to solve the problems of Solomon Islands, and anyway cannot do so'. Such strong denials usually mean that a big change is in the offing. In April the Solomon Islands Prime Minister, Sir Allan Kemakesa, wrote to John Howard requesting Australian support to halt the law and order problem. On 25 June, Cabinet agreed to Australia's second major security operation for the year. The Regional Assistance Mission to the Solomon Islands (RAMSI) would involve 155 Australian Federal Police (AFP), over 1500 ADF personnel, 80 Australian protective service and a significant number of civilian public service advisers. Fiji, New Zealand and other Pacific Island states contributed smaller numbers of military and police personnel.

The RAMSI mission started deploying to the Solomon Islands on 24 July. An early task was to collect thousands of light arms, from military assault rifles to handmade weapons, which had proliferated among criminal gangs. A key gang leader, Harold Keke, was arrested on 13 August. The high profile arrival of an obviously superior military force quickly muzzled Honiara's so-called 'war-lords', and towards the year's end ADF elements were being withdrawn. However, fixing the Solomon Islands will take much longer. The AFP and public service advisers are likely to remain in place for years. Canberra has significantly increased aid programs. The cost of the initial deployment was estimated at over \$200 million and it is likely that continuing support will add many millions more over the coming years.<sup>3</sup>

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Australia. After years of hand wringing in Canberra about the impossibility of stopping the South Pacific from sliding into chaos, the government now accepts that Australia must be more interventionist. One indication of this new approach was Canberra's strong backing in August for the appointment of Australian Greg Urwin to be secretary general of the South Pacific Forum. A Pacific Islander had always previously held the position. This generated some criticism from the Islands—Australia has long been regarded in the region as too heavy-handed. However, that should weighed against the friendly welcome the RAMSI force received from Solomon Islanders desperate for a return to peace.

To cap off his foreign policy year John Howard paid a brief visit to the Solomon Islands on 22 December, to '... review the continuing progress being made by the Australian-led Regional Assistance Mission'. Australia's more interventionist approach in the South Pacific is vital to prospects for regional stability. But it is also likely to absorb an increasing amount of Government spending and be a major preoccupation for our military, police and diplomats for years to come.

#### The United States and China

One of the more remarkable pieces of political theatre in 2003 was the near-simultaneous visits to Canberra of President George W. Bush and Chinese President Hu Jintao in October. Bush's visit was primarily to thank Australia for its efforts in supporting the war in Iraq. It is likely that a proposed Free Trade Agreement between Australia and the US will be concluded early in 2004 and that this has been speeded along in no small part because of Bush's gratitude for Australian military involvement. Hu was here to promote closer trade and economic links. He signed an agreement supporting the move towards a long-term contract to supply China with liquified natural gas from the Greater Gorgon field off Western Australia. Both presidents addressed a joint sitting of the Federal Parliament.

The media coverage of the presidential visits mostly concerned the trivialities of the Labor and minor parties' debate on whether and how they might insult the two leaders. Canberra deliberations were seriously reported about whether some backbenchers would refuse to stand, or stand but not applaud, or face backwards or wear symbolic armbands. It was notable that there were markedly more street protesters for President Bush than for President Hu.

The greater significance of the visits was that they indicated Australia was seen, both in Washington and Beijing, to be a major player in Asia-Pacific security. It is certainly true that Australian views are more listened to in Washington now than in earlier years. China's interest in Australia is primarily as a secure, long-term supplier of resources and energy. But Beijing is also aware of Canberra's standing in Washington. In his speech to the Parliament, Hu said that China '... look[s] to Australia for a constructive role in China's peaceful reunification'. This is a reference to China's position on Taiwan. It is possible that Hu was suggesting Australia could play a more prominent role in terms of Canberra's ability to influence US thinking on Taiwan.

## Defence decision-making

In February the Government released a 'Defence Update 2003' statement which argued that although the defence of Australia remained a core focus of planning, defeating terrorism, combating the proliferation of WMD and maintaining regional security would be prime defence policy objectives. It claimed that the threat of direct military attack on Australia was lower than at the time of the 2000 Defence White Paper statement, but our geography did not protect us either from terrorism or WMD. This led to the conclusion that there was a '...need for some rebalancing of [ADF] capabilities and priorities to take account of the new strategic environment'.

The Defence Update spurred a public debate about what should be the key roles and priorities of the Australian military. Views ranged from those who argued the ADF should be structured mainly as 'expeditionary forces' designed to slot into larger US-led coalitions, to those who preferred a force more narrowly designed to meet the immediate defence of Australia and its approaches. The Government's answer was delivered in a two page 'Defence Capability Review' statement on 7 November: 'The review reaffirmed that the defence of Australia and regional requirements should be the primary drivers of force structure.'

This did reflect an important policy change inasmuch as significantly greater emphasis is now being put on the ADF's capacity to deploy, sustain and operate forces in Australia's nearer region. The Solomon Islands operation is a model of what military planners think could be likely ADF tasks into the foreseeable future.

Almost all of the 2000 Defence White Paper's equipment plans were reaffirmed. However, additionally, the Capability Review called for the acquisition of some large amphibious transport ships, able to carry a battalion of troops and to land them onshore by helicopters. The review announced that the Army would get a replacement for its ageing Leopard main battle tanks. Tanks may have only limited roles in defeating terrorists, stopping WMD and Solomon Islands-type operations, but it was never on the cards that the Coalition Government was going to allow itself to be remembered as the party that took tanks away from the Australian Army. It was also announced that the venerable F-111 strike bomber would be retired in 2010, about a decade earlier than originally planned. That raises a concern that Australia will lose a very important capability to strike at enemy forces from a great distance. However, the government's position is that the combination of other Air Force assets in service in 2010 will effectively close the strike 'gap'.

A key Defence restructuring was also announced in September when the Government decided to accept the recommendations of Malcolm Kinnaird's review of the Defence Material Organisation (DMO)—the purchasers of military equipment. DMO is essentially going to be 'corporatised' and run along private sector lines as a prescribed government agency separate to the Defence Department. The goal is to develop an acquisitions system better able to deliver defence projects on time and within budget. However, these are ambitious and sweeping changes that will take time to implement—one should not expect quick results.

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Speaking at the end of 2003, John Howard said of defence spending in the 2004 Budget, it '... will only go up, it's inevitable.' The defence budget is under pressure because of rising equipment costs and the cost of continuous operations in East Timor, Iraq and the Solomon Islands. Neither of these pressures will reduce in coming years. The Capability Review gave no indication about how the Government proposed to close the growing gap between the size of the current budget and the cost of operations and equipment. The size of this gap is said to be more than one billion dollars annually on top of the current \$15.4 billion defence budget.

## **2004 in prospect**

National security is likely to remain a key policy and political issue in 2004. Australia will go to an election later in the year, so there will be close interest in how the major parties handle national security questions. There will also be elections in Indonesia and the United States, the outcomes of which will shape Australian policy.

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In looking ahead to 2004 my aim here has been to avoid trying to predict what will happen—invariably such guesswork turns out to be wrong. Rather I have focused on looking at key trends and on what the range of possible outcomes might be for specific events. From that process one can start to identify what the intelligence community calls 'indicators and warnings'—signs that events are moving towards generating a specific outcome. What then are the indicators and warnings Australia should look out for in 2004?

### **War in Iraq**

The counter-insurgency war in Iraq will continue. In many ways, what happens over the next six months in the Sunni Triangle around Baghdad is likely to be the most important factor shaping international politics in 2004. What outcomes are possible? The worst outcome would be one where we see the insurgency increasingly being supported by the Iraqi people. Mass opposition to the Coalition forces would be almost impossible to quell, given the limited number of US and allied troops on the ground—148,000 at the end of 2003. Faced with a popular insurgency, Washington would have to increase its military presence or—far more likely—speed up its exit. A badly prepared hand-over to a hastily cobbled together Iraqi government would be a recipe for disaster. The potential for Iraq to split along ethnic and religious lines would increase. This could threaten wider stability in the Middle East as countries like Iran, Syria and Turkey might feel increasingly compelled to intervene in Iraqi affairs to assure their own security. In this scenario the United States' international position would take a major battering. Although that would please many of Washington's critics, the world will not benefit from an outcome in Iraq that makes the United States become grumpy and isolationist.

A more optimistic scenario for Iraq would see a reducing number of attacks against Coalition forces as insurgency fighters are gradually captured, killed or simply give up fighting because they calculate their cause is lost. For that to happen there must be significant progress in the return of basic services to the Iraqi people like potable water, electricity,



fuel, education and health care. The Iraqi economy must be restarted and its capacity for oil exports rebuilt. There also needs to be progress around creating Iraqi political structures that will genuinely be able to run the country and believable plans developed for an election at some point in the future. If progress of this sort can be made, then anti-Coalition insurgency groups will find it harder to get popular backing.

At the beginning of 2004, the trend is probably more towards the optimistic scenario than the pessimistic one. The United States looks to be developing more effective counter-insurgency strategies and the numbers of terror attacks per day are trending down from their high point in October.<sup>4</sup> Basic services are largely back to pre-war standards or better. Many Iraqis may not like the United States, but they don't seem to be actively working for the insurgents and they are often themselves targeted by terror groups. While these are the positives, no one could dismiss the chance that the situation could get markedly worse in 2004. Iraq's future, and with it the future of George W. Bush and the character of US foreign policy, is balanced on a knife-edge.

Australia's capacity to help shape outcomes in Iraq is limited. But events in Iraq could have quite unexpected domestic consequences in an Australian election year. At the start of 2004 over 900 ADF personnel remain in theatre, most outside of Iraqi territory. The dangers are still great but, as John Howard said in London in November, '...by and large, Australia has moved on'. Public attention could swing back very quickly, however, if ADF soldiers are attacked, especially so if there are casualties.

#### Indonesia and terrorism

Indonesians will vote in April for a new House of Representatives and in July for the presidency. Current polling suggests that President Megawati will be returned to office and her party, the Indonesian Party of Struggle (PDI-P) will lose seats in the Parliament, most probably to former President Soeharto's party, Golkar. Four issues are likely to be dominant themes in Indonesia in 2004: the quality of government in Jakarta; foreign direct investment; responding to terrorism; and, lastly, separatist movements in some provinces.

On the quality of government matter, there is growing concern that President Megawati's administration is returning to some of the less attractive features of the Soeharto days. Corruption is still very evident in political and bureaucratic dealings with big business, the military seems to be dominating policy on sensitive areas like Papua and Aceh, and Megawati is less than actively engaged on important policy issues like economic reform. One measure of Indonesia's prospects will be the extent to which Megawati attempts to reverse these trends (if at all) in the lead-up to the election. There is a strong prospect that economic reform issues will be left on hold in the lead up to the elections. Confidence levels are not high. Foreign businesses are leaving Indonesia, partly in response to terrorist attacks but also as a reaction against the challenges of dealing with the Indonesian courts and bureaucracy. The *Economist* reports that, in 2002, Indonesia was the only country in South-east Asia to have a net outflow of foreign direct investment.

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growth in 2004, this could be disrupted by further terror attacks. It is likely that Abu Bakar Bashir will continue from his prison cell to act as a rallying point for fundamentalist groups intent on undermining Indonesia's secular political structure. JI has had a number of recent successes and it is very likely that they will continue to launch terror attacks through the archipelago.

Finally there are the Indonesian Armed Forces (TNI) campaigns to destroy separatist groups—the Free Aceh Movement (GAM), and the Free Papua Movement (OPM). Both provinces saw a significant escalation of military operations in 2003, and in both cases there have been allegations of widespread brutality on the part of the TNI. The military seems to be driving this policy and there is a good chance that they will drive it in the wrong direction, having learned the wrong lessons from their East Timor experience. Military heavy handedness in Papua and Aceh is likely to strengthen popular opposition to rule from Jakarta. It will also put Indonesia in difficulty with international opinion, and is already doing so in Washington, where there is concern to limit defence cooperation with Indonesia for as long as TNI is linked to human rights abuses. It is to be hoped that Megawati chooses to exercise closer control over TNI's counter-insurgency campaigns. But it is unlikely she will be able to do so at least before the elections.

#### Australia and the South Pacific

The South Pacific will be a major Australian preoccupation in 2004. The ultimate test of what Foreign Minister Alexander Downer has called 'co-operative intervention' will be Papua New Guinea. PNG's politicians both resent and rely on Australian foreign aid and other support. Australia has provided some \$12 billion of foreign aid to PNG since independence in 1975, but over this time there has been a steady crumbling of public services. Political and public service corruption is rife. The PNG Defence Force has openly rebelled against their government on a number of occasions. Violence and crime is endemic in Port Moresby, which in 2002 was rated the worst place to live out of 130 world cities in a 'hardship' survey for expatriates. With 7000 Australians living in PNG, Canberra has a very close interest in the stability of that country.

At the end of 2003 the Government announced a 'new era of co-operation with PNG.' Fresh, more promising starts in the bilateral relationship have been regularly announced over the last decade. However, the latest approach is new because it involves directly placing Australian police and officials into the PNG bureaucracy. Up to 230 Australian Federal Police will move into law enforcement roles in Port Moresby, Bougainville and elsewhere. Lawyers, economists, border security, aviation and customs officials and others will work in direct-line-management positions.

We should not expect quick results from this process. Australia's role will continue to be treated with caution by PNG, but Canberra's decision to be more directly involved in managing the stability of our nearer neighbours is the most promising South Pacific policy development in a decade. While this approach will cost significantly more than aid programs in the past, it holds out the prospect that the disastrous decline in regional governance can be reversed.

Following the PNG and Solomon Islands' examples, in 2004 we may

see Australian police and other officials being used in long-term positions in some other island states. Aid delivery may be reviewed with the aim of ensuring tougher standards for delivering results. There is likely to be closer and more frequent contact between Australian officials and their South Pacific counterparts. Positive results could lead to a stronger Australian business and non-government organisation presence in the region. All these would be very positive outcomes indeed, but much will depend on whether we see good results emerging from Port Moresby and Honiara.

### The United States and China

Australia's relationship with the United States will remain positive, regardless of which party occupies the White House. But it is also true that relations with the Bush administration will remain especially friendly because of the President's regard for John Howard. Whether Bush is re-elected probably depends on outcomes in Iraq. If, as I have argued, we see a more positive set of trends in Iraq over the next six or eight months, then it is more than likely Bush will get a second term.

The Free Trade Agreement with the United States will probably be concluded early in 2004. It is unlikely that Bush would be prepared to allow it to stall, given the current state of the bilateral relationship. For Australia, one of the challenges in 2004 is to define what we should be trying to achieve in Washington as a result of the closer relationship we now enjoy. If we have the access, who or what do we want to influence? One agenda should be military modernisation – that is, making sure the ADF and Australian industry are able to get affordable access to the technology, contracts and thinking that will drive the US military in coming decades. Working with the US on ballistic missile defence technologies will be important in this context.

A second goal should be to develop mechanisms that will allow us to have more input into US thinking on Asia-Pacific security. Inevitably, Canberra will need to drive these initiatives. While the United States will remain positive about Australia, the history of the relationship is that the smaller ally can often shape what the alliance does because we spend much more time focused on it than does the Washington establishment.

Our relationship with China will largely remain positive in 2004, *if* the April presidential elections in Taiwan do not produce a crisis in cross-straits relations. China will not accept overt Taiwanese steps towards independence, but there is growing pro-independence sentiment in the Taiwanese electorate. As recently as December 2003 President Bush reaffirmed the United States' 'one-China' policy and delivered a stern warning to Taiwan not to stir the pot with strong rhetoric about independence. Nevertheless, the period around the Taiwanese election is potentially dangerous. The Chinese will be conducting naval military exercises at that time to underline their interest and there is a potential for a cross-straits crisis of the type we saw in 1996 when the US exercised its right of high-seas passage to steam an aircraft carrier battle group through the straits.

Assuming the Taiwanese election is safely navigated, Australia's relations with China will stay focussed on trade in 2004. There are both risks and opportunities for Canberra in managing our bilateral relations with the United States and China. Although Sino-US relations are currently good,

***One of the challenges in 2004 is to define what we should be trying to achieve in Washington as a result of the closer relationship we now enjoy. One agenda should be military modernisation.***

***A second goal should be to develop mechanisms that will allow us to have more input into US thinking on Asia-Pacific security.***

***Our relationship with China will largely remain positive in 2004, if the April presidential elections in Taiwan do not produce a crisis in cross-straits relations.***

***Australia's primary interest is to avoid, if at all possible, having to choose between either the United States or China as our most important external relationship. A conflict over Taiwan would force us to do this, so it is sensible to do what we can to prevent that outcome.***

***Of all the international security issues that could go seriously wrong in 2004, North Korea is probably the most dangerous, and could involve Australia.***

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there is clear potential for the two powers to become more competitors than collaborators. Australia's primary interest is to avoid, if at all possible, having to choose between either the United States or China as our most important external relationship. A conflict over Taiwan would force us to do this, so it is sensible for us to do what we can to prevent that outcome. One avenue for influence will be to expand our military and strategic dialogue with China. Over 2004 and beyond we should expect to see Australia trying to build more substantial security ties with the Chinese and perhaps more overtly acting as a 'friendly council' with both Washington and Beijing as they interact on security.

#### Wild cards

Of all the international security issues that could go seriously wrong in 2004, North Korea is probably the most dangerous, and could involve Australia. Currently the North is engaged in 'six party' talks over its possession of nuclear weapons—it probably has up to half a dozen weapons. The other parties are China, the United States, Russia, Japan and South Korea. It is clear that the North will not give up its nuclear capability, if at all, without a very substantial return to it in the form of economic assistance and some type of security guarantee from the United States. However, the threat posed by the North's nuclear weapons and its growing ballistic missile capability is one that cannot be ignored by its neighbours. US military pre-emption is unlikely, especially after Iraq, but mainly because of the conventional military damage the North could unleash on Seoul, which is within artillery range of the border.

A major positive in this situation is that China is now more forcefully pushing its old North Korean ally to the negotiation table. In May 2003 China shut down its oil supply to the North for three days for 'technical reasons'. This has been interpreted as diplomatic arm-twisting to force the North to negotiate. In 2004 we are likely to see the 'six party' talks continue at a slow pace, but that is better than any possible military option that leads to war. If there was war on the Korean peninsula, it is very likely that Australia would be called on to support Coalition operations with military forces. Ultimately the US and its allies would prevail against the North but one cannot rule out the possibility that Pyongyang would try to use nuclear weapons against either Japan or Seoul.

Other areas where military conflict could break out include Kashmir at the 'line of control' between India and Pakistan. Pakistan's own internal situation is highly unpredictable, not least because of the pressures it faces from fundamentalist Islamic movements. Watch out too for internal developments in Saudi Arabia. Pressures are building against the Saudi ruling family, on the one hand from fundamentalism, on the other from calls to make the political and social environment more open. The current situation there is not likely to be sustainable into the long term.

#### The national security election

Australia will go to an election in the second half of 2004. More so than at any time since the Vietnam War, this election is likely to be fought on national security grounds. John Howard has indicated that his policy

platform will be based on the three themes of national security, economic strength and social stability. Mark Latham has also signalled that Labor will take the Government head-on over security issues. Latham has created a Shadow Cabinet portfolio for 'Homeland Security' and he is advocating the creation of a coast guard. The Government, for its part, has sought to test Latham's level of support for the US alliance following his personal criticisms of George Bush earlier in 2003.

The Government will be likely to announce a defence spending increase in the next Federal Budget. We can expect that it will continue to put a heavy emphasis on border control, and that there will be a string of initiatives relating to the US alliance and counter-terrorism. Labor will work hard to neutralise any community perceptions that the Government is better able to manage security. They are likely to highlight their proposed new Homeland Security Department and the coast guard as a way of differentiating their policies. How Labor handles the US alliance will be very important in electoral terms. They will struggle to develop a policy that satisfies the wide spectrum of views in Labor about how we should co-operate with the United States.

The focus of the major parties reflects a deep-seated community concern about the dangers of terrorism, about the perceived vulnerability of our borders to illegal immigration and about the potential impacts of regional instability on Australia's security. The major parties see it as vital to their election prospects that they are considered strong on defence, counter terrorism, border control and national security. This will make for a fascinating political year in the context of what will continue to be a difficult and dangerous time ahead in international security.

– December 23, 2003

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1 'Australia target in al-Qaeda threat' *The Australian*, 17 November 2003.

2 'Bali bombers "God's fighters"', *News.com.au*. 20 December 2003.

3 One risk with which the RAMSI force has to contend is that the Solomons is littered with large quantities of chemical weapons in the form of mustard gas artillery shells dumped from the Second World War. Weapons of Mass Destruction can turn up in unexpected places.

4 The US Brookings Institution maintains a useful database called the Iraq Index: Tracking Reconstruction and Security in Post-Saddam Iraq at [www.brookings.org/iraqindex](http://www.brookings.org/iraqindex).