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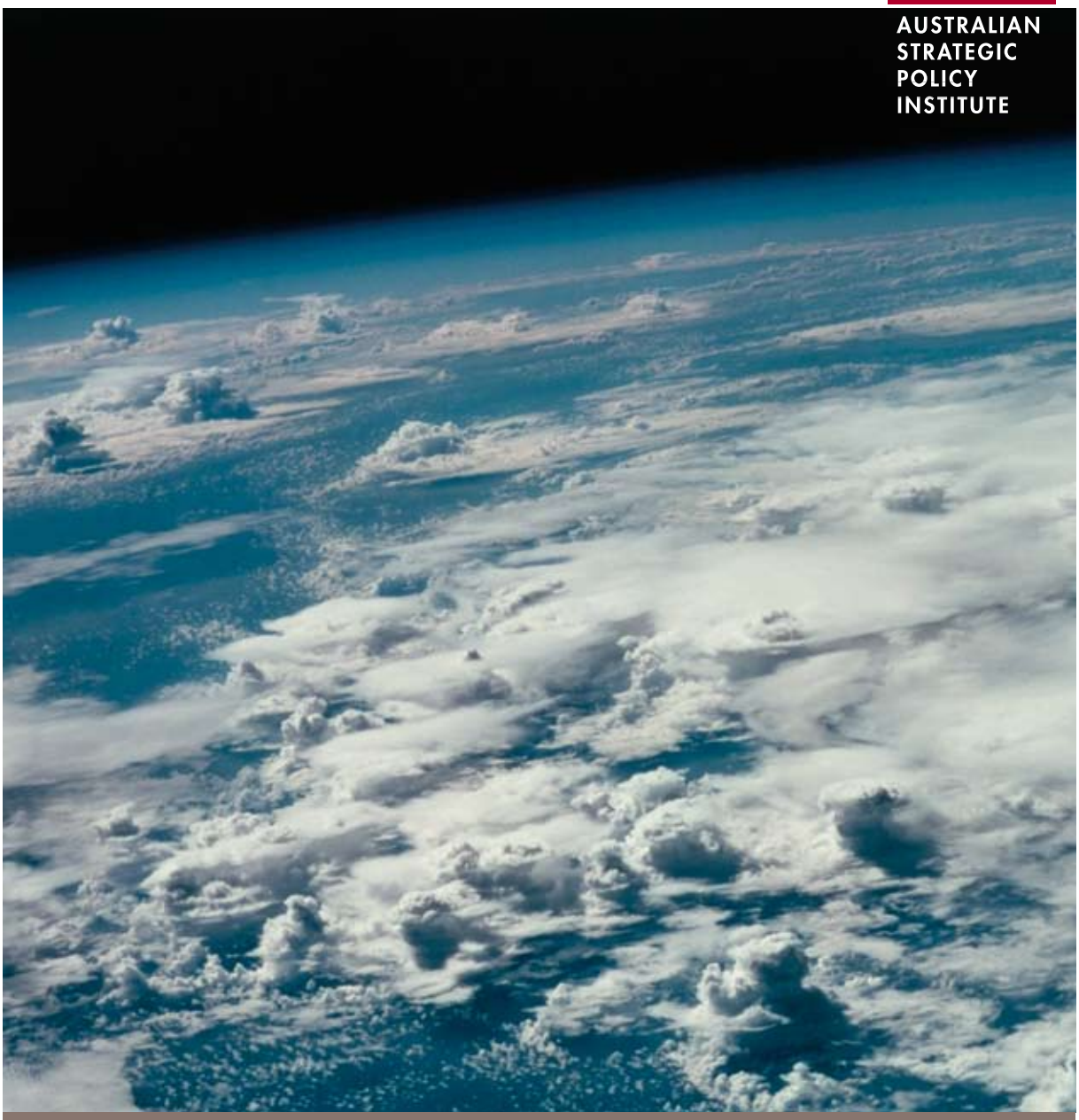

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Cover image: During space shuttle mission STS-64, the captured this image of multiple thunderstorm pockets over the Pacific Ocean, near Hawaii. © NASA/Roger Ressmeyer/ CORBIS/APL

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NORTHEAST ASIAN SECURITY FUTURES: DILEMMAS AND CHOICES

Chung Min Lee

Choices and consequences in strategic Northeast Asia

One of the key paradoxes of the contemporary era is the prevalence of strategic forecasts and the pitfalls associated with them. And in no area are forecasts more vexing than predicting future paths in Asia—particularly in Northeast Asia—given the overlapping of two equally salient features of the region's strategic landscape: unprecedented economic growth, accelerated prosperity, and since the late 1980s, expanding democratisation but at the very same time, the heaviest concentration of high and low security challenges. These two characteristics of Asia or the 'Twin Faces of Asia,' are visible both at the macro and micro levels since even as the region moves toward an embryonic 'community' the region is also replete with disintegrative forces. No other region in the world embodies such contrasts along the entire cooperation and conflict spectrum. In essence, the primordial or existential dilemma for Asia on the whole and Northeast Asia where the great powers collide, is that commensurate with the unparalleled accumulation of wealth, technologies, and military capital, all of the strategically significant states must address the consequences of power with more nuanced, calibrated and institutionalised responses.

Asia stands at a historical crossroads since the policies and strategies of its constituent states are the primary drivers of the regional environment compared to the predominance of external powers throughout much of the previous century. This is a remarkable transformation that is only beginning to sink in given that almost all

Photo opposite: The Mediterranean Sea, Israel, Lebanon, Syria, Jordan, the Jordan River Valley, the Dead Sea, and the Sea of Galilee from 190 miles up. © NASA/Corbis/APL

of the major security threats and challenges that are relevant today originated from within Asia and its sub-regions. While it may enable some leaders and governments to continue to vent their frustrations on outside powers or external forces beyond their immediate control, the fact remains that commensurate with Asia's rise, so too has its responsibilities. Many leaders, commentators and experts continue to equate Asia's self-identify in response to the West and Asians are not unique in this respect. But when one considers the magnitude, intensity, and frequency of Asia's strategic menu—ranging as it does from the world's highest concentration of military power, unprecedented economic opportunities coupled with unparalleled vulnerabilities, to the spectre of new nuclear breakout states—the time has surely come to confront these issues more dispassionately.

The simultaneous rise of China, Japan and India as the region's three great powers offers strategic opportunities for cooperation, not only for these first-tier powers but all other Asian states.

The simultaneous rise of China, Japan and India as the region's three great powers offers strategic opportunities for cooperation, not only for these first-tier powers but all other Asian states. Conflict is not inevitable among these great powers and more than any other time in recent memory, the correlation of forces disfavors conflicts given that any wide-ranging disruption would entail enormous costs and undo Asia's postwar economic miracle. That said, neither is peace, prosperity and stability guaranteed on the basis of market-driven conceptions of security. Thus, while it is virtually impossible to forecast where Asia is headed, it is possible to delineate critical tipping points that could swerve the region into a series of complex crises. Endemic wars borne from centuries of colonialism, the collapse and rise of dynasties, and unchecked power transitions may be snippets of Asia's past but assuring that Asia remains conflict free, or at a minimum, mitigating crises so that they do not escalate into crises and conflicts requires courageous, domestically unpalatable, and externally attentive leadership. In the pages that follow, an attempt is made to sketch out three main strands or features of Asian security in the early 21st century: (1) Asian security in the midst of competing and parallel paradigms including the viability of market-driven notions and conceptions of security futures; (2) understanding Asia's 'hybrid conflict' profiles and challenges including assessments of military modernisation trends and critical tipping points; and (3) the consequences of new nuclear breakout states.

Asian security in the midst of parallel and competing paradigms

More than fifteen years after the collapse of the Soviet Union, the world continues to be characterised by the persistence of parallel and competing security paradigms. Notwithstanding the global war on terrorism and despite the 'shock and awe' of the unprecedented attacks of September 11, it is, thus far, difficult to equate transnational terrorism with the epic East–West struggle of the Cold War era. There is no doubt that from the perspective of the United States, the campaign against Al Qaeda, the Taliban and their strategic partners is a brutal 'new' war. Yet other potentially debilitating threats to global security abound. The spectre of new nuclear weapon breakout states, nuclear terrorism,

humanitarian disasters, the potent mix of failed states with nuclear weapons and growing energy competition, among other forces, are key shapers of the emerging security complex. Against this backdrop, the simultaneous rise of China and India as new great powers and existing geopolitical hotspots—the Middle East, Taiwan Strait, Kashmir, and the Korean Peninsula—attests to the high-low mix of the contemporary security roadmap. Even as terrorism was highlighted as the 'preeminent threat,' John Negroponte, US Director of National Intelligence, noted recently that:

We live in a world that is full of conflict, contradictions, and accelerating change...*[T]he most dramatic change of all is the exponential increase in the number of targets we must identify, track, and analyze*. Today, in addition to hostile nation-states, we are focusing on terrorist groups, proliferation networks, alienated communities, charismatic individuals, narcotraffickers, and microscopic influenza.[1] (Emphasis added).

... it is in Northeast Asia more than any other region where these parallel security paradigms are most prominent and severe.

But it is in Northeast Asia more than any other region where these parallel security paradigms are most prominent and severe. Yet the cumulative rise of Asia for the most part continues to be equated with sustained stability, growing prosperity, and decelerating prospects for conflict. No one can doubt the unprecedented economic and even political transformation of Asia, particularly East Asia, over the past three to four decades. It has become commonplace to refer to the emerging 'Asian Century' with the consonant notion that 'increasingly, other nations have become captivated by the reality, and the potential, of fast-developing commercial ties with the East. Suddenly, America is no longer the only guarantor of their economic viability or their political protector of choice.'[2] The much lauded inaugural East Asian Summit of December 2005 held in Kuala Lumpur was heralded by Asian leaders as a turning point in Asian history. Or as one Indian observer stated, 'its significance is that it symbolises the Asian century, the coming of age, in a sense, because by 2050 Asia will have three of the four largest economies in the world.'[3] At the same time, other leaders such as Singapore's Senior Minister Goh Chok Tong stressed the need to 'construct a new architecture for East Asia' since 'if East Asia does not coalesce, it will lose out to the Americas and Europe.'[4]

Asia without conflicts?

Leading regional commentators have asserted that Asia's accelerated accumulation of wealth and the desire to sustain cooperative economic linkages precludes conflicts. As Kishore Mahbubani stated in 2005, 'I can tell you that war is the last thing that they [Asians] have on their minds' and further, that a 'tidal wave of common sense explains the single most important feature of the Asia–Pacific region in any kind of strategic discussion: the fact that guns are silent.'[5] It is true that the last major Asian war ended with the downfall of South Vietnam in 1975 and according to a major study on global conflict issued in 2005 by the Human Security Centre, the total number of conflicts world-wide rose steadily throughout the Cold War but began to decline steeply after the early 1990s. According to this report,

in the beginning of the 21st century, the probability of a country being engulfed in war was lower than any time since the early 1950s.[6] In East Asia and Southeast Asia in 2003, there were fewer than one-third as many conflicts as in 1978 owing to three principal reasons: rising prosperity, democratisation, and the ending of large-scale foreign intervention.[7]

It is all together feasible to apply assumptions of democratic peace theory in the Asian context, e.g., the notion that democratic states are less prone to go to war with each other.[8] Yet while there is growing consensus on the correlation between democracy and decreasing conflicts among or between democratic states, the uneven pace of democratisation in Asia, fragility of democratic norms and institutions (as illustrated by the recent military coup d'etat in Thailand), and outstanding factors that could trigger them (such as violent regime collapses) suggests that accelerated economic growth coupled with democratisation ameliorates and curtails, rather than, fundamentally reducing the spectre of conflicts.

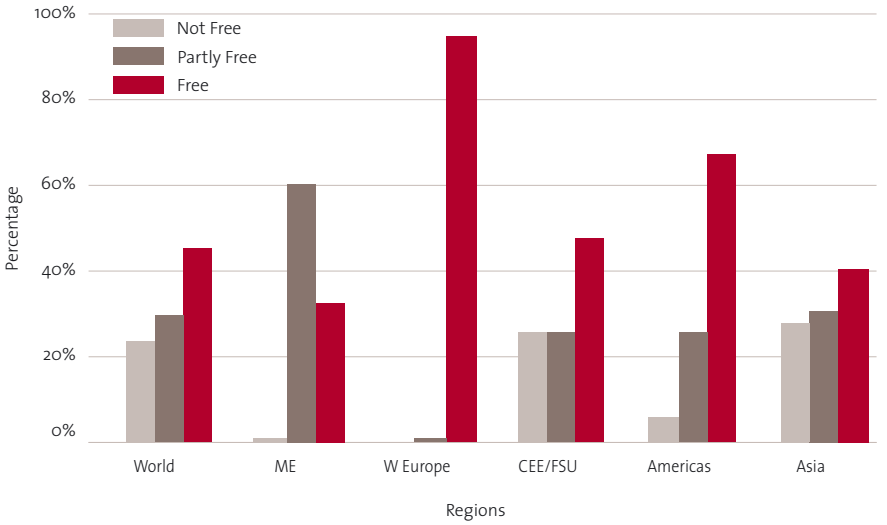
Extrapolating Asian futures: reexamining economic growth and democratic peace

The baseline by which Asian futures (including Northeast Asia's) are commonly projected and perceived usually departs from three decades of nearly uninterrupted economic growth. This is, of course, an extremely important baseline given that no other region has achieved such spectacular economic transformations in such a short period of time. Of the world's fifteen largest economies in 2005 (GNI, Atlas method), four were Asian—Japan, China, India, and South Korea for a combined total of US$12.1 trillion. (Calculated through the purchasing power parity scale, the GDP for these four countries were estimated at US$15.19 trillion or 27% of world GDP—US$ 55.5 trillion).[9] Out of the world's top ten foreign exchange and gold reserve holdings, seven are Asian economies.

By 2030, Asian economies are projected to account for over 40% of world GDP. According to a widely-cited study conducted by Goldman Sachs in 2003, it estimated that by 2040, the BRICs' (Brazil, Russia, India and China) economies would be greater than the size of the G6.[10] The study noted that by 2050, only the United States and Japan could remain among the world's six largest economies. At mid-century, Goldman Sachs estimates that China will emerge as the world's largest economy (in 2003 currency, US$45 trillion) followed by the United States (US$35 trillion), India (US$27 trillion), and Japan (US$9 trillion).[11] These projections, however, are premised on a series of core assumptions such as sustained macroeconomic stability built on viable, strong, and open institutions. Under current assumptions, the rise of China and India as the world's leading economies is not in doubt. Yet these linear projections are also going to be affected significantly by a confluence of unknowns such as the pace and magnitude of domestic political reforms and accompanying volatility in China, the unprecedented demands on social welfare spending in India as well as other Asian states, the phenomenon of rapidly aging societies throughout much of Asia, and sustainable development challenges in the lesser developed economies.

Beyond economic trends, other key barometers in examining prospects for stability and peace in Asia lies in such factors as democratisation, transparency, and levels of globalisation to the extent that such softpower attributes are assumed to dampen severely the propensity to use force or out-pricing the cost of conflict altogether. According to Freedom House, 41% of the countries in the Asia–Pacific were free (16), 31% not free (12) and 28% not free (11). A breakdown by major regions is noted below in Graph 1.

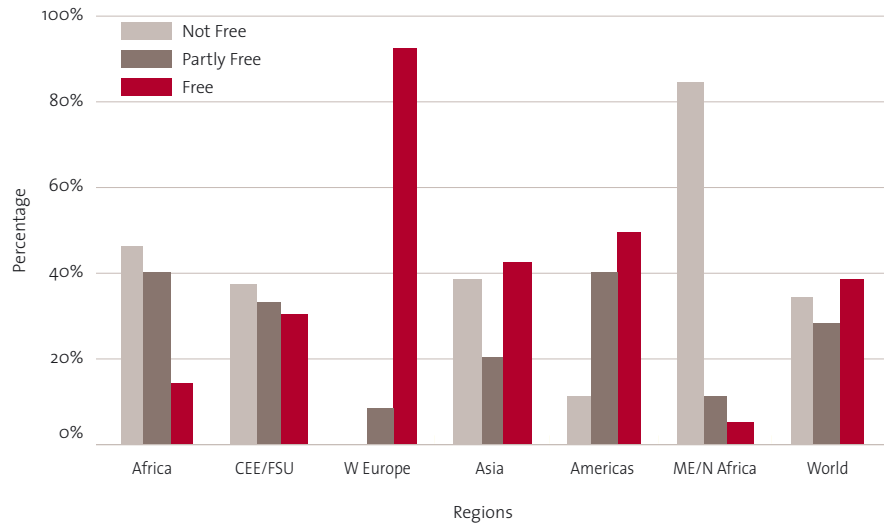
Graph 1: Freedom in the World 2006



Source: Freedom House, Freedom in the World 2006.

Seen in percentages, relative democratisation scores for the Asia–Pacific region roughly corresponds to the world average but well behind Western Europe and the Americas. The disparities in political freedom in the region are illustrated by the presence of such countries as North Korea, Myanmar, and Laos—the lowest scoring countries in Asia—and a swath of 'partly free' countries with varying degrees of representative/semi-democratic governments. At a minimum, this suggests that while major improvements have been made in democratisation and the broader political liberalisation over the past two decades, in order for a fundamental 'swords to ploughshare' transformation in the region, significantly greater strides must be made in expanding and deepening democratic reforms throughout the Asia–Pacific. Other data such as press freedom indicates that the Asia–Pacific region marks significantly higher owing to a confluence of factors such as the rapid dissemination of the Internet and the proliferation in alternative medias. Out of 40 countries measured by Freedom House, 42% were free, 20% partly free and 38% not free. (See Graph 2 below).

Graph 2: Freedom of the Press Index 2006



Yet more intrusive press freedom values such as the annual survey conducted by Reporters Without Borders, noted that out of 167 countries in the world in 2005, not a single Asian country was in the top 30. The closest were South Korea (34th) and Japan (37th)—the two countries with the highest degree of press freedom according to Reporters Without Borders—while other major countries' ranks were as follows: China (159th), Indonesia (102nd), India (106th), Thailand (107th), Malaysia (113th), Philippines (139th), Singapore (140th) and Vietnam (158th), Myanmar (163rd) and North Korea (167th).[12] Half the countries in the bottom 10 of the 2005 index are in Asia.

Another indicator which is often cited to accentuate Asia's growing ties to the world economy is the rate and depth of globalisation. Notwithstanding the critical importance of trade to the regional economies, (A.T. Kearney/Foreign Policy *2005 Globalization Index* measuring 62 countries world-wide), only two Asian countries were in the top 20—Singapore (which topped the list with the highest ranking) and Malaysia (19th)—followed by Japan (28th), South Korea (30th), Philippines (32nd), Taiwan (36th), Thailand (46th), China (54th), Indonesia (60th), and India (61st).[13] Generally, however, greater levels of democratisation coincides with greater levels of globalisation although exceptions are clearly evident such as the case of Singapore. (Indeed, Singapore's anomaly is illustrated further by the fact that it is perceived to be one of the world's least corrupt countries—ranked 5th out of 159 countries according to the 2005 Transparency International Corruption Perceptions Index).[14] Insofar as the perception of corruption is concerned, only two countries are in the top 20—Singapore (5th) and Japan (21st)—whereas other major Asian economies ranked between the 30th and 80th including Taiwan (32nd), Malaysia (39th), South Korea (40th), China (78th) and India (88th).

Invariably, measurements related to democratisation, press freedom, globalisation and transparency are open for interpretation and must be regarded as rather imprecise snapshots. But if one makes a strong case that Asia's future is likely to be characterised by linear stability and prosperity with limited prospects for conflicts or instability fuelled by sustained economic growth, accelerated democratisation, and the strengthening of good governance (rule of law, for example), such a prognosis only takes into one side of Asia's rise. However, as it will be argued below, the paradox of Asia or the 'Twin Faces of Asia' cannot be fully appreciated without taking into account deep pockets of potential conflict and discord, particularly given the presence of precarious geopolitical fault lines across all of the sub-regions of Asia.

Understanding Asia's 'hybrid conflicts' and tipping points

Taken together, while unprecedented economic growth, expanding intra-regional trade, and the positive attributes associated with the accumulation of softpower are readily visible in Asia, these should be seen as necessary and not as widely believed, sufficient conditions for prolonged peace and stability. Clearly, mitigating if not preventing and minimising conflicts is a critical precondition for Asia's sustained growth and the increasing web of free trade agreements, for example, augurs well for the continued absence of wars and conflicts. Nevertheless, Asia is also home to some of the most pressing geopolitical fault lines.

Indeed, Asia is the only region in the world that is characterised by 'hybrid conflicts' or an amalgam of security challenges and threats through the convergence of seven distinguishing security features: (1) the preponderance of military power (nuclear, conventional and unconventional) among the region's key strategic powers; (2) the consequences for nuclear

proliferation triggered by a nuclearised North Korea (and although not directly in Asia, Iran as well) and follow-on responses by nuclear weapon capable states (notably Japan, South Korea and Taiwan); (3) the prominence of failed states with nuclear weapons (Pakistan and North Korea) and failed states in the midst of varying shades of domestic insurgencies (Sri Lanka, Nepal, and Burma); (4) overlapping complex crises including endemic territorial disputes, potentially devastating humanitarian disasters (such as Avian flu and refugee dislocations), and fragile political institutions; (5) sub-regional or region-wide economic dislocations stemming from rampant state collapse in North Korea or a second Asian financial crisis; (6) the potential for accidental and spill-over conflicts combined with the potential for nuclear escalation in key geopolitical fault lines; and last but not least, (7) great power rivalries given that for the first time in history, China, Japan and India are sharing the stage as coterminous great powers.

In essence, the greatest threat to regional stability and security arises not from the breakout of major war (although that possibility cannot be totally discounted), but from a confluence of complex crises that could easily trigger more dangerous and militarily more active responses.

In essence, the greatest threat to regional stability and security arises not from the breakout of major war (although that possibility cannot be totally discounted), but from a confluence of complex crises that could easily trigger more dangerous and militarily more active responses. To the extent that unprecedented wealth accumulation and technology creation are enabling more regional powers to undertake RMA-based force modernisations, the desire for sustained economic growth may actually propel sharper and strategically ambitious power projection capabilities. But while Asian states today are rightly focusing on economic growth and expanding intra-regional trade, there is little, if any evidence, which suggests that the propensity for wealth creation has dampened the appetite for accruing military power or the willingness to use them when critical national interests are at stake. Although seemingly intractable issues such as the decades-long conflict between Aceh and Indonesia's central government may have been 'switched off because of the larger change in the chemistry of the region,'[15] the root causes of conflict in Asia have not been ameliorated fundamentally by the preponderance of economic logic. Conflict is not inevitable, but neither is sustained peace and stability obviously guaranteed.

In this context, while all of the seven characteristics of Asia's 'hybrid conflict' profile could result in complex crises, outcomes would be invariably highly situation-specific. But three key tipping points deserve closer scrutiny given their potential magnitudes and corresponding consequences for Asia, and in particular, Northeast Asia. First, the growing accumulation of military capital and advanced defence technologies and systems by all of the major military powers. The quest for military security in Asia compared to Europe stands out as one of the most distinguishing features of the post-Cold War strategic template as exemplified by sustained force modernisations and more advanced and lethal power projection platforms. Invariably, the pace of military modernisation is dependent on numerous factors such as

shifting threat perceptions, budgetary constraints, operational demands, and political guidelines. That said, many of the strategically significant Asian states with paramount security predicaments continue to invest in an array of defence technologies (particularly asymmetrical systems), doctrinal modernisations, and associated force realignments under the rubric of increasingly sophisticated defence transformations.

Second, the spectre of failed states that currently possess an array of weapons of mass destruction (WMD) lies across the two ends of the Asian continent—Pakistan and North Korea. Volatile or even violent transitions in the event of regime or state collapse would have severe consequences internally but throughout South and Northeast Asia. Although prospects for a North Korean collapse cannot be overemphasised given the Kim Jong Il regime's ability to survive despite mounting odds against it, prolonged instability in the aftermath of regime change also cannot be discounted. While Seoul's and Washington's or for that matter Beijing's choices are likely to differ (perhaps even significantly) in the event of a North Korean collapse, contingency planning must take into account a range of responses including preemptive intervention (by the United States, in unison with South Korea, or on the part of China) and potentially severe dislocations. And third, the spectre of new breakout nuclear weapon states, noticeably North Korea, and while not 'Asian' in the strict usage of the term, also Iran. Although a fully nuclearised Iran and North Korea would significantly alter response options on the part of the United States, its key allies (Israel, Japan and South Korea) in the two regions, as well as reactions by China and Russia, the longer-term consequences are extremely difficult to predict.

All of the major players in Northeast Asia have significant stakes in assuring that in the event that any or all of these tipping points materialise, not only would the need arise to minimise collateral damage and associated fallouts, they would bear the brunt of any military fallout and/or operations. Indeed, what makes these three tipping points (and conceptually many more are possible) particularly vexing is that they could result in rapid escalation or re-trigger other unforeseen crises. A brief synopsis of each of the tipping points follows beginning with Northeast Asia's military modernisation trends and drivers.

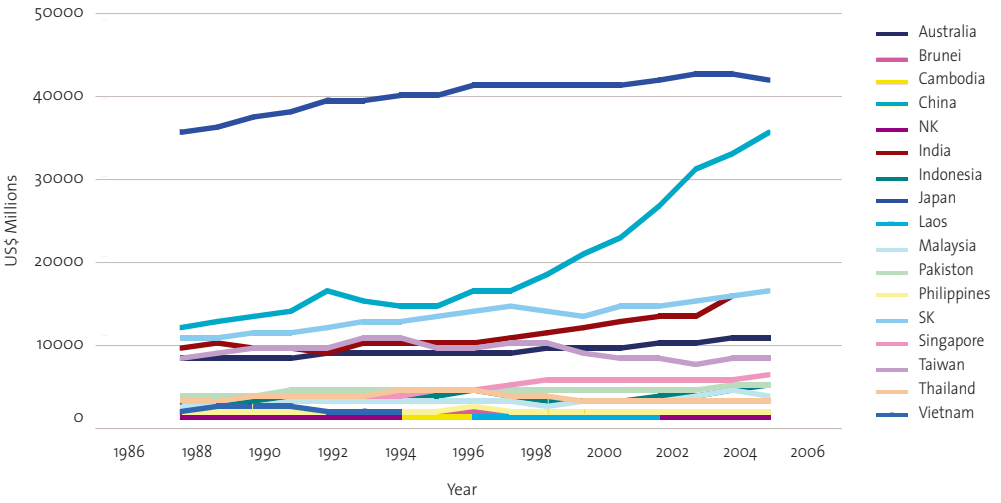
Northeast Asia: the locus of military power

Asia houses the greatest concentration of military power—nuclear, conventional, and unconventional—excluding the United States. Four of the six declared nuclear weapon states stretches across the Asian continent (China, Russia, India and Pakistan) and two leading near nuclear weapon states; namely, North Korea and Iran. Three of the world's largest armed forces are in East Asia: China, North Korea, and South Korea. Force configurations in and of themselves only illustrates one facet of military capabilities and while the United States leads the world in total defence spending—US$419 billion in FY 2006—or slightly higher than the rest of the world's defence budget, East Asia has led the world in relative defence spending increases through much of the post-Cold War era.

There is no direct correlation between the concentration of military capabilities and the propensity for conflicts but the array of selective force modernisation programs, increasingly sophisticated power projection platforms, and asymmetrical assets suggests, at a minimum, military modernisation and increasingly sophisticated power projection platforms will continue to receive policy priority among the first tier (China, Japan, India) and second tier (the two Koreas and select Southeast Asian states) powers. Notwithstanding the declining probability of major war akin to the Korean and Vietnamese conflicts, average defence spending as a percentage of GDP from 1993–2003 was 1.83% or higher than any other region.

From 2000 onwards, the average has topped 2.0%.[16] What is more relevant in the context of Asia's defence spending trends is the rapid accumulation of military capital by the People's Republic of China as illustrated by the acceleration of Chinese defence spending since the late 1980s. Despite the fact that sustained economic growth and prosperity depends critically on cooperative security regimes, the picture that has evolved from East Asia but particularly from Northeast Asia throughout the post-Cold War era is one of strategic hedging driven by the rise of China, Sino–Japanese strategic competition, prevailing uncertainties on the Korean Peninsula and the introduction of selective RMA-intensive military technologies and systems.

Graph 3: Asian Defence Spending: 1988–2004



Source: SIPRI various years.

Moreover, given the spectre of volatile transitions on the peninsula, growing concerns over the potent mix of failed states and weapons of mass destruction, and selective US force realignments and reductions, maintaining robust deterrence and defence assets is going to remain as a key national security priority for all of the major security actors in the region. Or as one prescient Asian security analyst has noted:

While the demands of sustaining economic growth may thus by themselves assure the continuing relevance of military instruments in Asia—at least for all the major powers and for many lesser states as well, the vitality of traditional inter-state politics in Asia further guarantees their prominence well into the foreseeable future.[17]

Although historical comparisons should always be treated with caution, history has been a potent source of rivalry and conflicts in Northeast Asia.

Although historical comparisons should always be treated with caution, history has been a potent source of rivalry and conflicts in Northeast Asia. The rebirth of strategic rivalries could be avoided but even as East Asian states cooperate on economic matters, they may

view each other as such and while 'wars between them may not be likely, but neither will it be unthinkable.'[18] Moreover, notwithstanding the absence of an over-arching security threat throughout the region, very diverse security challenges mixed with outstanding historical legacies and disputes means that 'military instruments are in no danger of becoming irrelevant in Asia.'[19]

Thus, what one can detect in the many of the more capable militaries is a move away from huge ground forces to more mobile and nimble forces which are just beginning to exploit the advantages provided by asymmetrical capabilities. While the circumstances are quite different from state to state, almost all of the major powers in Asia are adopting localised versions of RMA and military transformations. The PLA's focus on acquiring superior information warfare fighting capabilities together with a long overdue replacement of its aging combat aircraft, the SDF's comprehensive force modernisation programs including a carefully calibrated, stealthy strategic shift to emerging 'threat' envelopes such as North Korea and China, and South Korea's own mid- to long-term defence modernisation programs including next generation combat aircraft (KFX-2), early warning aircraft (EX), and Aegis-class cruisers (KDX III) are primary examples. North Korea continues to upgrade its ballistic missile forces as evinced by the July 5, 2006 missile launch coupled with on-going concerns over its nuclear weapons program. As a RAND study has noted, 'if or when they enter the geopolitical arena as confident 'actors', they may find themselves engaged in heightened political-military competition or even conflict with their neighbours.'[20]

The acquisition of more lethal, accurate, and mobile weapons systems connected by an increasingly modernised C4ISR system means that for the first time in history, almost all of the mature armed forces in the region now have growing power projection capabilities. Such developments have also been spurred by hedging strategies on the part of Asia's 'Big Three'—China, India, and Japan—in an era when loose coalitions for and against them are going to be increasingly evident in 21st century Asia and also by the lesser powers given the growing disparities in power projection capabilities between them and the region's strategic heavyweights. The threat of major war among the great powers in Asia has never been as low as it is today but friction at the margins is very much alive. Sino–Indian strategic cooperation over the long run is far from guaranteed although both sides, for now, have opted for accommodative strategies. For many of her neighbours how Japan plans to actualise its objective of becoming a 'Normal Country' through successively more nationalistic governments is a perennial source of concern. Dormant for most of the post-Cold War era, Japan's on-going strategic reemergence is occurring in parallel with a post-imperialistic and post-orthodox communist China. Indeed, the simultaneous ascendance of China and Japan with requisite economic and military capabilities has never been replicated in Asian history. Deng's greatest strategic achievement other than engineering China's economic boom was in exploiting the political and military opportunities tendered by the demise of the Soviet Union by enabling China to shift its strategic focus to maritime Asia, and by default, focusing once more on latent Sino–Japanese rivalry. The US–Soviet rivalry in East Asia 'not only overshadowed but effectively sublimated the unresolved Sino–Japanese dispute' while the US–Japan security coupled with Japan's so-called Peace Constitution meant that Tokyo was 'preoccupied with economic rebirth, while China remained isolated internationally and engulfed internally in political radicalism.'[21] And the possibility of volatile if not violent transitions on the Korean Peninsula, and potential military clashes in the Taiwan Straits or in the South China Seas, means that the accumulation of military capital is going to

remain a key feature of the Asian strategic landscape. Or as one noted US observer wrote in 2002 but still relevant in the context of Asia's military technology potential:

The information revolution spreading around the world brings much more diverse sources of intelligence to the Asian military decision-making system. Satellites, fibre-optic communication lines, computer networks, and cellular telephone technologies disgorge information that will transform civil-military relations in Asia. The new information technologies allow a quantum jump in performance for key parts of the military...*In some areas, like jet aircraft or mechanized ground warfare, the Asian military is extremely backward compared to America or Europe. However, this assessment overlooks the role of new information technologies in making missile strikes and other tactics highly effective*.[22] (Italics added).

Early 21st century East Asia is militarily significant because for many of the key regional powers, the 'tyranny of geography' has been overcome by advanced military technologies. To what extent emerging strategic rivalries may escalate into actual conflicts remains unknown since one cannot assume that more robust power projection capabilities will necessarily lead to strategic instability and conflict. But there is every reason to believe that friction among the great powers and between the great and lesser powers are unlikely to remain dormant.

The prominence of China's strategic footprints, more robust Japanese and South Korean air and naval assets, India's vaunted sub-regional ambitions and potentially volatile undercurrents in the Indo–Pakistani relationship, and North Korea's on-going search to strengthen its correlation of forces, may well mean that preventative political-military measures including sub-regional confidence building measures could be brought to bear with more urgency in the region. 'But it is also easy enough to imagine events—a mismanaged crisis on the Korean Peninsula or a confrontation across the Taiwan Strait or over Kashmir—that could shake strategic Asia to its core and bring powerful competitive forces, now latent, to the surface.'[23]

Chinese and Japanese force modernisations: the search for strategic space

China's comprehensive military modernisation and transformation efforts jump started on the basis of two key developments of the late 1970s: the introduction of the Four Modernisations and the PLA's humiliation during the Sino–Vietnamese border clash of 1979. Since the mid-1990s, the PLA has emphasised a number of military reforms that could be summarised as follows. First, modifications in the force structure including reduction in force size. Second, prioritisation of weapons modernisation (particularly in the PLA Navy or PLAN). Third, doctrinal revisions to enable the PLA to fight in 'Local Wars Under Modern High-Technology Conditions' or 'Local Wars Under Informationalisation Conditions.' Fourth, growing emphasis on joint operations and commensurate training, education and manpower allocation needs.[24] So the key question is whether these efforts are, in the main, defensive and reflective of on-going replacement and modernisation of fatigued systems or more focused to provide the PRC with an array of military options commensurate with its increasing stature. Catching up incrementally with the United States remains as the long-term goal of the Chinese military leadership although a de facto containment of Taiwan remains as the more immediate strategic imperative. Fortuitously for China, the collapse of the USSR coincided with the fact that for the first time since its founding in 1949, none of the nations with which it shares borders—fourteen in the post-Cold War era—were natural

adversaries. Although China continues to have border disputes with India, North Korea, and Vietnam in addition to competing claims in the South China Seas, the PLA today has greater strategic manoeuvrability than at any other time in its history.

The PLA's modernisation efforts since the early 1990s can be best described as stealth transformation in that even as the top political and military leadership stress the need for China's military to catch-up with other great powers (principally though by no means limited to, the United States), neither does it want to become a magnet or target for regional force buildups that could severely narrow or even marginalise its post-reform military gains. Overcoming key deficiencies in the Chinese force structure and its ability to wage a range of combined military operations means that for the time being, China can ill-afford to antagonise constituent states in its near-abroad or other regional great powers such as Japan and India.

Thus, the PLA has emphasised asymmetric programs by leveraging its advantages while exploiting the vulnerabilities of possible adversaries.[25] In turn, as the PLA continues to modernise, two key misperceptions may lead to miscalculations or crises: (1) underestimating the degree to which Chinese forces have been modernised; and (2) overestimation of their own forces' operational capability and adaptability.[26] Compared to the United States, China's military footprint continues to be focused in its immediate environs since it doesn't have foreign military bases or the logistical capacity to maintain long-term and long-range offshore military operations. Clearly, Chinese defence elites are concerned about protecting its core sovereign zones (including the South China Seas and Taiwan) in addition to strategic pivots that could undermine severely China's security such as the Sino–North Korean border.[27]

China is currently embarking on a 'leaps and bounds' theory through a 'Three Step Strategy' that its leaders hope will enable the PLA to emerge as the most powerful and dominant Asian military power by 2030. As alluded to briefly above, step one entails the acquisition and development of a range of advanced weapons systems for deterrence and warfighting under high-tech conditions by 2010. Step two calls for the sustained modernisation and replacement of key weapons platforms by around 2020 including qualitative, RAM-intensive improvements such as PGMs. And step three entails the informationalisation of its armed forces by mid-century.[28]

As important as Taiwan is to China's assertive nationalism and sovereignty and despite the PLA's efforts to military encircle Taiwan in a protracted crisis or conflict, its attention span goes well beyond Taiwan. China's SRBMs, for example, are all mobile and can be redeployed in various contingencies and the PLA's air and naval force improvements 'both complete and in the pipeline—are scoped for operations beyond the geography of Taiwan' so that the PLA Air Force's operational range will enable it to conduct extended operations into the South China Sea.[29] The PLAN is focusing on submarine forces, advanced destroyers, new generation of anti-ship missiles and aircraft carrier ambitions. According to the IISS, the PLAN's air craft carrier program was begun in 1994 and is modelled after the Russian *Admiral Gorshkov* aircraft carrier and up to three may be built with an operational timetable of 2010 although this may appear to be unrealistic.[30] The PLAN is acquiring the requisite know-how to field a PLAN Air Force Carrier Air Wing with unconfirmed reports that it is seriously interested in the Su-33UB naval trainer/attack aircraft, modification of the Chengdu J-10 for carrier operations, and radar warning helicopters.[31] In summary, combined with surface combatants, naval aircraft, and anti-ship cruise missiles, 'China is seeking to become

a first-class submarine power.'[32] While there are clear deficiencies in China's maritime power projection ambitions, Japan's current advantages in anti-submarine warfare (ASW) and anti-air warfare (AAW) over the PLA, in addition to the operational imperatives of Taiwan and other contingencies suggests that addressing naval asymmetries is going to remain as a key military objective of the PLA leadership.

If the PLA is well on its way to building an armed forces for the 21st century, so too is Japan's Self Defense Forces (SDF). Japan's security architecture in the postwar era has been premised foremost on its reliance on the United States. This central policy and political tenet has survived the Cold War and amongst all of the United States' critical Asian allies, Japan has been at the forefront of strengthening its ties with the United States. Tokyo's efforts at modernising and expanding its alliance with Washington predates 9/11 but received a major impetus in the aftermath of the Bush Administration's reassessment of its Asian alliances coincident with the events of 9/11. In one of the most dramatic shifts in alliance management, the across-the-board strengthening of the US–Japan alliance stands in sharp contrast to growing dissent within the US–ROK alliance, one of the major pillars of the post-Korean War security architecture.

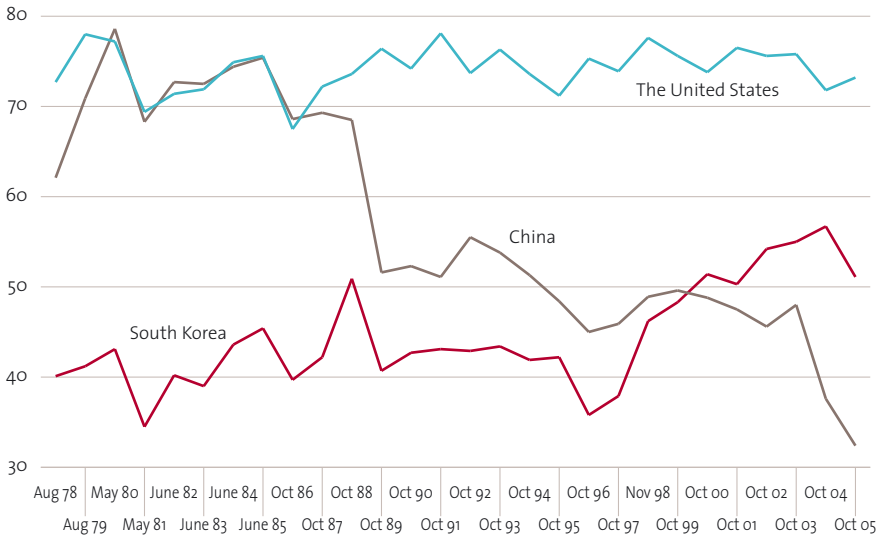
The revamping of Japan's security and defence policies since the end of the Cold War have multiple sources including a discernable shift to the right in domestic politics, sharp reactions to North Korea's military threats, but perhaps most significantly, the rise of China as the preponderant Asian economic and military power.

The revamping of Japan's security and defence policies since the end of the Cold War have multiple sources including a discernable shift to the right in domestic politics, sharp reactions to North Korea's military threats, but perhaps most significantly, the rise of China as the preponderant Asian economic and military power. As noted above, never in history have China and Japan co-shared the stage as great powers or as one US commentator has stated, 'China and Japan have never been powerful at the same time: for centuries, China was strong while Japan was impoverished, whereas for most of the last 200 years, Japan has been powerful and China weak. *Having both powerful in the same era will be an unprecedented challenge*.' [33] (Emphasis added). For the moment, Japan's (or for that matter, China's) immediate concern is focused on managing the North Korean nuclear conundrum but 'long-term defense planning for Japan will continue to monitor and react to the growth of Chinese power.'[34] Japan's search for a more viable security policy, however justified, has always run into the brick wall of Asian history and while previous leaders were extremely cautious about forcefully articulating Japan's core security needs, post-Cold War prime ministers have been much more open and direct on the need to comprehensively modernise Japan's security strategies. The SDF's mandate has been expanded through a series of policy adjustments that now allows the SDF to more clearly articulate measures to respond to actual or imminent attacks on Japan.[35]

In October 2004, the Japanese Government released a major study entitled 'Council on Security and Defense Capabilities Report' which emphasised the need for Japan to pursue an integrated security strategy encompassing traditional notions of territorial defence but also stability in the 'surrounding areas' (i.e., Taiwan Strait and the Korean Peninsula) that are deemed to be critical to Japan's security. In addition, the report stressed the need for the SDF to transform itself into a multi-functional defence force including rapid response capability, enhanced intelligence collection and analysis, modernisation of policy coordination mechanisms and division of roles between Japan and the United States.[36] While these recommendations were used by the Koizumi Government to inject public support and rationale for the SDF's continuing modernisation programs in addition to the government's policy on key issues such as responses to the North Korean nuclear threat, the more significant development was the National Defense Program Outline (NDPO) of FY 2005. Some of the highlights of the 2005 NDPO (released in December 2004) were as follows.

First, the guidelines broke precedent by specifically citing North Korea and China as security concerns and reiterated the government's policy that Japan should cope more effectively with ballistic missile threats and incursions into Japanese airspace and territorial waters. Second, in order for Japan to assume these and related missions, Japan needed a 'multi-functional' military including the streamlining of the SDF to meet a broader array of threats and challenges and the need for the SDF to assume more international peacekeeping missions.[37] One of the core tenets of Japan's post-Cold War security policy lies in broadening the roles and missions of the US–Japan alliance and to this end, greater interoperability between the two forces and greater cooperation on such issues as missile defence. Although previous Japanese governments have also emphasised the need to strengthen the US–Japan alliance, broad-based public support for the United States has been one of the most remarkably constant features of postwar Japan. In sharp contrast to fluctuating perceptions of the United States in South Korea as well as China (particularly over the past 2–3 years), an overwhelming majority of the Japanese public continue to view the United States in favourable terms. (See Graph 4 below). Although major issues persist in the alliance such as the relocation of key bases in Okinawa and operationalising Japan's commitments over a

Graph 4: Japan's Affinity Toward the United States, China and South Korea: 1978–2005



Source: Cabinet Office Poll (Tokyo) released on December 26, 2005.

range of contingencies, securing public support vis-à-vis the alliance has not been a major roadblock compared to other major US allies both in Europe and other parts of Asia.

Insofar as the FY 2005 NDPO is concerned, however, while it contained more bold language and a willingness to address traditionally more sensitive issues, it also came under criticism in Japan for lacking an overarching security philosophy and that it was more the result of a series of bureaucratic compromises. At the same time, the NDPO resulted in sharp reactions from China and South Korea given that these two countries perceive that one major side-effect of the broadening of the US–Japan alliance is Japan's expanding strategic footprint in Northeast Asia and beyond.

Japan's growing preoccupation with Chinese military buildup, however, continues to be a key driver in modernising the SDF's long-term force improvement programs. As China's naval assets continue to grow as illustrated above, the Self Defense Agency has continued to accentuate the importance of maritime security. For example, the November 10, 2004 intrusion into Japan's territorial waters by a PLAN submarine only served to heighten concerns in Japan that the PLAN chose to deliberately test Japan's ASW capabilities.[38]

For Japan's political leadership and policy elites, particularly those who are more conservative, one of the key goals of Japan's security and defence transformation including it's all-important ties with the United States lies in attaining Japan's 'right of collective self-defense.' Or as a research centre's report stated, 'it is imperative to apply 'Collective Self-Defense Right' to contribute more aggressively to improve international security cooperating closer with US Forces. Otherwise, the existence of [the] Japan–US Alliance may lose its credibility or fall.'[39] In summary, Japan's decision to embark on robust defence modernisation under the rubric of collective self-defence is highly unlikely to be overturned given the wide-ranging security consensus that is evident within the ruling as well as major opposition parties. As China's military power continues to accumulate and depending on how the Korean Peninsula is likely to transition, Japanese security and defence policy is going to shed its Cold War constraints more assertively in the years and decades ahead.

The challenge of Asia's critical failed states

During the entire period of the so-called first nuclear era (1945–1991), the only declared nuclear weapon state that faced sustained political volatility was the PRC during the interregnum between the disastrous Great Leap Forward and the Cultural Revolution.[40] Even so, the political monopoly of the CCP was rarely in doubt, and in particular, the PLA managed to safeguard its then limited nuclear weapons capabilities. In the case of North Korea and Pakistan, however, political and economic dynamics differs significantly from the Chinese case or other post-Cold War nuclear concerns such as controlling fissile materials currently under control by the Russian Federation. While the origins, capabilities, and overall military components of the Pakistani and North Korean nuclear weapons programs are quite different, regime transformations in Islamabad and Pyongyang, state collapse, the sanctity of their command and control mechanisms in the event of regime failure, and prolonged civil-military conflicts would have fundamental implications for nuclear safeguards in both countries, and by extension, in their respective regions.[41]

Ironically, the continuing perseverance of ruthless regimes in such failed states as Zimbabwe and North Korea may lead many to argue that the chances of regime change from within is highly unlikely. A number of plausible scenarios leading to regime change in North Korea

could be considered including a military coup spearheaded by anti-Kim factions in the armed forces assuming that factional strife ripens as Kim Jong Il begins to prepare one of his sons for succession. If Kim Jong Il's regime is replaced by a military junta or a joint ruling body comprised of key party and military leaders, the integrity of the Korean People's Army's (KPA) command and control system would presumably be retained. However, in the event of prolonged intra-factional struggle within the KPA coupled with growing civil unrest and de facto disintegration of omniscient security controls, key elements of the command structure could be unravelled. To be sure, such scenarios are highly contingent on a series of developments, i.e., inability of the national command authority to function in any normal sense, which forces or groups ultimately assume control of North Korea's vast military forces including nuclear weapons and ballistic missiles would be critical concern to the ROK and the United States, not to mention other regional powers. The main point here is that while the regimes that are in power in Pakistan and North Korea may not face any imminent danger of being replaced, both states exhibit many of the characteristics of failing, if not failed states. Significant challenges to regime security would therefore have key repercussions for these two countries' WMD arsenals.

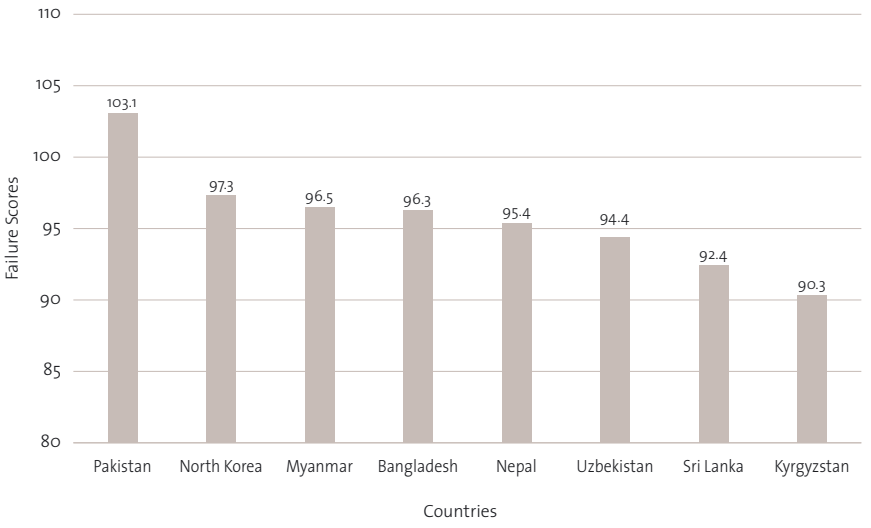
A state is failing when its government is losing physical control of its territory or lacks a monopoly on the legitimate use of force.

Measuring the level and depth of fatigue in states or structural corrosion is more art than science but it is possible to identify indicators that could ultimately leading to state failure. The key, of course, in understanding the 'breaking point' whereby cascading series of fatigue striation would result in regime breakdown and collapse. Defining failed states, by one account, takes into consideration the following points: (1) central state apparatus is not able to sustain an 'effective monopoly of violence,' over its territory; (2) lacks a functioning and effective judicial system in safeguarding laws and promulgating judgments that are deemed as legitimate by the international community; (3) is either unable or unwilling to comply with and fulfil international obligations; and (4) is unable or chooses not to prevent various forms of transnational economic crime or uses its territory 'for the perpetration of violence against other states in the international system.'[42] Additionally, the inaugural study on failed states undertaken by Foreign Policy and the Fund for Peace in 2005 defined the phenomenon of failed states as follows:

A state is failing when its government is losing physical control of its territory or lacks a monopoly on the legitimate use of force. Other symptoms of state failure include the erosion of authority to make collective decisions, an inability to provide reasonable public services, and the loss of the capacity to interact in formal relations with other states as a full member of the international community. As suggested by the list of 12 indicators, extensive corruption and criminal behaviour, inability to collect taxes or otherwise draw on citizen support, large-scale involuntary dislocation of the population, sharp economic decline, group-based inequality, and institutionalised persecution or discrimination are other hallmarks of state failure. States can fail at varying rates of decline through explosion, implosion or erosion.[43]

By this definition, arguments could be made that both North Korea and Pakistan may be 'failing' rather than 'failed' states given that the two regimes (particularly North Korea's) doesn't seem to be in any imminent danger of collapse. For example, the Korean Workers' Party (KWP) under the leadership of Kim Jong Il (and his father before him, the late Kim Il Sung) has been in power since 1948 and contestations to Kim's one-man Stalinist rule have so far been unable to dent the regime in any serious manner. Resilience through state terror, a nation-wide security blanket, and decades of political indoctrination among other factors have led to North Korea's precarious survival. Moreover, vital Chinese aid in the form of grant assistance, oil, and food shipments have kept the regime afloat in addition to South Korean assistance to the North since the late 1990s. Thus, survivability of the North Korean regime *minus* external assistance from China and South Korea would be imperiled significantly. To date, there is no indication that China is contemplating any abrupt or even controlled dilution of economic or political support for North Korea, or for that matter, South Korea.

Graph 5: Acutely Failed States in Asia 2006

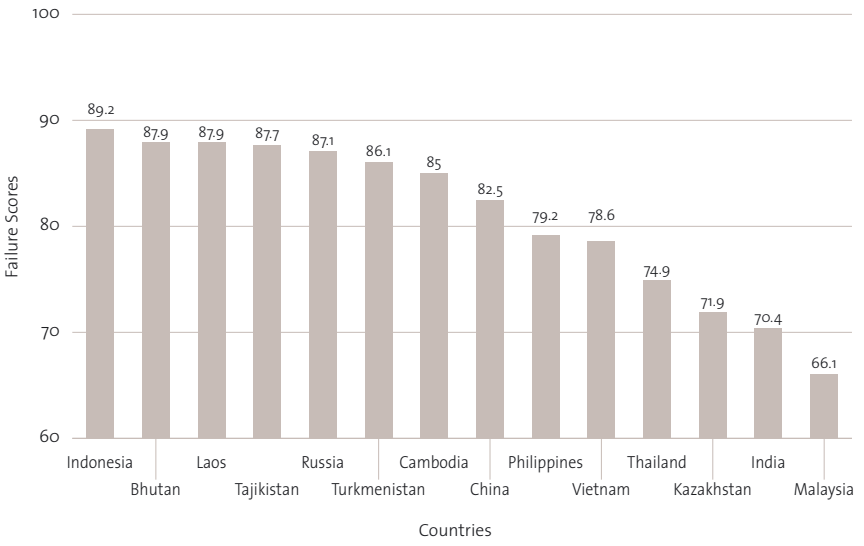


Source: Failed States Index 2006, *Fund for Peace/Foreign Policy. Failure Score based on aggregate of 12 variables: (1) Mounting Demographic Pressures, (2) Massive Movement of Refugees, (3) Legacy of Vengeance—Seeking Group Grievance, (4) Chronic and Sustained Human Flight, (5) Uneven Economic Development, (6) Sharp and/or Severe Economic Decline, (7) Criminilization or Delegitimization of the State, (8) Progressive Deterioration of Public Services, (9) Widespread Violation of Human Rights, (10) Security Apparatus as 'State Within a State,' (11) Rise of Factionalized Elites, and (12) Intervention of Other States or External Actors.*

That said, North Korea, writ large, exhibits many key features of a failed state: de facto economic collapse, criminalisation of the state, uneven development, pockets of famine, endemic corruption, forced migrations, and refugees. Estimates vary given the dearth of accurate statistics but there are least tens of thousands of North Korean refugees in northeastern China. In the mid- to late 1990s, more than a million North Koreans are believed to have died from famine and related deceases. Internal control remains draconian and Kim Jong Il continues to receive key support from the armed forces but it corruption is believed to be spreading in the KPA. As illustrated in Graph 3 on the previous page, of the top 30 states or those on the 'alert' list in the 2006 'Failed States Index' seven are Asian: Pakistan, Bangladesh and Nepal in South Asia, Uzbekistan and Kyrgyzstan in Central Asia, Myanmar in Southeast Asia, and North Korea in Northeast Asia. A number of other Asian states are categorised in the next grouping or those who are in the mid-range of failed states: Bhutan, Tajikistan, Turkmenistan and Cambodia among others. Clearly, the fact that China is ranked

57th or that India is ranked 93rd does not mean that either of these powers are on the precipice of collapse; only that prevailing socio-economic and political conditions could either retard severely prospects for sustained development or that they may lead to non-linear transitions under certain circumstances.

Graph 6: Mid-Range Failed States in Asia 2006



Source: Failed States Index 2006, *Fund for Peace/Foreign Policy.*

In the case of Pakistan, domestic stability remains a critical factor in tabulating the overall conditions for nuclear deterrence and the chances, however minute, of nuclear escalation in the event of a major, full-scale conventional war. While the correlation between acute state failure and the phenomenon known as the 'stability/instability' remains untested, the paradox is worth revisiting in the context of Pakistan's nuclear arsenal. The central tenet of this paradox is that a conventional conflict is unlikely to escalate into a nuclear exchange given the enormous costs of nuclear war, hence, strategic stability is maintained. Yet at the same time, by reducing the costs of conventional conflict, strategic stability also increases the likelihood of that conflict.[44] To date, a fairly wide-ranging consensus exists in both India and Pakistan that the paradox is likely to hold. A majority of Indian policy makers and strategic analysts believe strongly that if nuclear deterrence worked in the West throughout the Cold War, there is no reason to believe that it will not work in South Asia. Key officials have asserted that after Pakistan demonstrated itself to be a declared nuclear power, 'such a move has ensured greater transparency about Pakistan's capacities and intentions. It also removes the complexes, suspicions and uncertainties about each other's nuclear capacities.'[45]

Many other observers of South Asia's nuclear dilemma have asserted that strategic stability is likely to hold and that ultimately, nuclear deterrence between the two states amounts to a sub-regional variant of the Cold War US–Soviet doctrine of Mutually Assured Destruction. Diametrically views are also present. There are those who argue forcefully that contrary to conventional wisdom, the Indo–Pakistani nuclear standoff 'do not reduce or eliminate factors that contributed to past conflicts...Far from creating stability, these basic nuclear capabilities have led to an incomplete sense of where security lies.'[46] Moreover, achieving and maintaining strategic stability would also require second-strike capabilities which India and Pakistan are lacking in at the present time although sustained nuclear buildup could ultimately both sides to have rough parity by attaining second strike capabilities.

Nuclear weapons and Asian security options

It comes as no surprise that Asia's WMD futures depends critically on how the four major members of the nuclear club—three declared and one virtual breakout state—interacts not only amongst themselves but in their individual and at times collective interactions with the United States, Japan and the two Koreas. The linkage between nuclear weapons and regime survival—linked with although not necessarily the same as state survival—is most pronounced in the case of North Korea which further complicates the WMD map of Asia. Admittedly, Pakistan's and India's nuclear weapons also play crucial roles in bolstering regime prestige, coercive political leverage in select circumstances, and providing regime security in the broader sense of a security umbrella however vulnerable they may be to key undercurrents alluded to before. Yet in the case of North Korea, there is no discernable differentiation or distinction between state and regime survival. For Kim Jong Il, his immediate family, and a handful of the top nomenklatura, the ability of the regime to survive and prosper is synonymous with state survival. Should the regime falter, or in the worst case scenario (for Kim Jong Il) collapse, maintaining command and control integrity in addition to securing all nuclear and WMD facilities and arsenals is going to arise as the most important issue on the Korean peninsula together with avoiding accidental war or prolonged civil conflict and turmoil in the North.

The linkage between nuclear weapons and regime survival—linked with although not necessarily the same as state survival—is most pronounced in the case of North Korea which further complicates the WMD map of Asia.

Understanding the WMD profile map of the region thus represents a maze in more ways than one due to three major interlocking challenges. First, the lack of credible intelligence, particularly in the context of North Korea's WMD and nuclear weapons programs. All of the known and publicly available intelligence on North Korea's nuclear capability is based on a combination of best estimates and technical sources and even here, one can readily detect differences between US, South Korean, Chinese and Japanese assessments.

Overall intelligence vis-à-vis Iran's burgeoning nuclear program or for that matter, on India's and Pakistan's nuclear assets is highly unlikely to be considerably better than the case with the North although the world today knows significantly more about the Indo-Pakistani arsenals following their tests in 1998. Second, the range of WMD arsenals under consideration including nuclear, chemical and biological weapons in addition to ballistic missiles, means that even if one successfully 'isolates' the nuclear problem, it is intrinsically difficult since it has to be calibrated with other WMD assets. This is particularly true of North Korea. As the on and off Six Party Talks have shown, the basket-approach to negotiations, i.e., moving from one area to the next if discord persists in one 'basket' reminiscent of CSCE (renamed since as the OSCE) negotiations in the 1970s and 1980s, is not really duplicable. Third, contrasting political perceptions between all of the principal actors but particularly amongst allies. As a case in point, ROK–US relations have ebbed and flowed since the late 1990s but especially under the advent of the Roh Moo Hyun Government in March 2003.

While the most excessive expressions of anti-Americanism are no longer as pervasive as in the year 2002–2003, the critical point is the gap within South Korea and between South Korea and the United States on North Korea. As Gen. Leon J. LaPorte, then Commander of the US Forces Korea testified to the Congress in March 2003:

Many South Koreans under age 45, a generation that has lived in an era of peace and prosperity, have little or no understanding of the North Korean threat. These South Koreans perceive North Korea not as a threat but rather as a Korean neighbour, potential trading partner and a country that provides access to expanded Eurasian markets. *This perception of North Korea contrasts with America's view that North Korea is a threat to regional and global stability. This divergent view of North Korea, coupled with strong national pride, has been a cause of periodic tension in the Republic of Korea–United States alliance*...Demonstrations against American policy and military presence increased sharply during this year's Republic of Korea presidential election. Political interest groups made claims of inequity in the Republic of Korea–United States alliance a central issue in the presidential campaign.[47] (Emphasis added).

These challenges differ from sub-region to sub-region and from alliance to alliance but they cannot be ignored in assessing future paths of Asian WMD. Potent political forces and divides could become increasingly visible in handling Asian WMD issues, especially if the situation deteriorates markedly in North Korea or Pakistan. In this context, China's nuclear modernisation activities and North Korea's quest for nuclear weapons are sketched out in greater detail below.

China's nuclear modernisation

According to estimates made by the US Department of Defense in addition to open source estimates such as those made by the Carnegie Endowment and the Monterey Center for Nonproliferation Studies, China as of 2005 had a total of some 410 nuclear warheads that are believed to be divided into some 250 'strategic' maintained in a triad of land-based missiles, bombers, and SLBMs. In addition, China is believed to possess some 150 tactical nuclear weapons.[48] China's strategic nuclear forces are deployed in some 20 locations under the command of the Central Military Commission (CMC). For its part, the US Department of Defense recently noted that China is 'fielding more survivable missiles capable of targeting India, Russia, virtually all of the United States, and the Asian–Pacific theater as far south as Australia and New Zealand.'[49]

It is estimated that the PRC has some 20 or so ICBMs (the CSS-4 ICBMs); 100 are thought to be deployed on missiles and bombers. China's other strategic assets include the mobile DF-31 and the DF-31A ICBMs (IOC or Initial Operational Capacity by September 2007) and the sea-based JL-2 SLBMs (IOC October 2008).[50] The PRC also has the CSS-5 MRBMs for regional contingencies. To date, China has not publicly disclosed that it has tactical nuclear weapons, i.e., low-yield bombs, artillery shells, short-range missiles, atomic demolition munitions, etc., but the PLA is believed to be emphasising key precision strike capabilities including short-range ballistic missiles (SRBMs), land-attack cruise missiles (LACMs), air-to-surface missiles (ASMs), and anti-ship cruise missiles (ASCMs).

While the mission of constraining US operations in the Asia–Pacific region looms as a significant priority for the PRC's strategic forces, China's nuclear weapons also provides a critical dividend for its broader Asian strategy. Although Sino–Indian relations have improved over the past several years, China sees improved US–Indian ties and the July 2005 US–India

nuclear agreement as counterbalancing whatever advantages its strategic forces it could deploy against an Indian contingency or at the very least, containing more aggressive Indian forays in the Indian Ocean and the Bay of Bengal. In October 2005, China strongly criticised the United States for making an exception for India, i.e., accepting India as the sixth declared nuclear weapon state in exchange for India's selective opening up of civilian nuclear facilities to international and US inspection.[51]

Unsurprisingly, Indian strategists share a relatively broad consensus with mainstream US perceptions on China's core strategic objectives vis-à-vis East Asia. To be sure, divergences of views are very evident in India on China's strategic ambitions but many have voiced strikingly similar views on the broad contours of Chinese strategy aired in the West.

For instance, one recent analysis pinned down China's grand strategy in Asia on four main pillars: (1) regaining sovereignty over Taiwan; (2) expanding its military presence in the South China Seas; (3) inducing the withdrawal of forward positioned US forces from East Asia; and (4) keeping Japan in a state of perpetual strategic subordination.[52] Furthermore, it was noted that 'after East Asia, China has focused her undivided attention on South Asia. India's natural pre-eminence and strategic power potential is an anathema to China. In China's perceptions, India alone can challenge China's 'Grand Strategy' of emerging as the sole dominant power in Asia.[53] India's 'peaceful' nuclear explosion in 1974 was therefore premised on two fronts: the need to respond to China's own nuclear arsenals ever since it became a nuclear weapon state in 1964 and to forestall sustained Chinese support for Pakistan as the regional 'spoiler state' in challenging Indian supremacy in South Asia.

Although it goes without saying that India's own strategic ambitions compelled Pakistan to commit itself to a crash nuclear weapons program, it is also important to keep in mind that China played a key role in relaying crucial technology and know-how to Pakistan, in addition to North Korea and Iran. In November 2000, China announced its commitment to adhering to similar guidelines contained in the Missile Technology Control Regime (MTCR) provisions insofar as missile sales to third countries are concerned and published those regulations and guidelines in August 2002.[54] Of key concern is China's suspected transfer of nuclear and missile technologies to Pakistan, North Korea, and Iran. US intelligence confirmed publicly in September 1999, for example, that Pakistan obtained the M-11 SRBM from China and that a number of Chinese firms were suspected.[55] China's collaboration with North Korea on both nuclear and missile technologies has often aired key concerns secondary proliferation.

North Korea's quest for nuclear weapons

In what has become one of the longest running 'what if' nuclear gambits, North Korea's desire to acquire nuclear weapons and the counter-desire to denuclearise it by the international community is likely heading into a maelstrom. While it is impossible to verify fully if North Korea has nuclear weapons absent an underground nuclear test, a growing pool of open source intelligence estimates including a June 26, 2006 report released by the Institute for Science and International Security and buttressed by cautious official assessments, assert that Pyongyang probably has enough weapons grade plutonium to make up to 12 or so nuclear weapons. In October 2002, the Bush Administration assessed that North Korea was working on a Highly Enriched Uranium (HEU) nuclear weapons program in violation of the 1994 Agreed Framework. The world's last Stalinist state may have achieved the pinnacle of its decades-long strategic goal of becoming a nuclear weapon state.

In February 2005, the North Korean foreign ministry announced that it would 'bolster its nuclear weapons arsenal'—North Korea's first public admission that it had nuclear weapons. Pyongyang may have made this announcement as a bargaining ploy to extricate even more concessions from the five parties but especially from the United States. Stripped to its essential core, the North Korean nuclear quagmire boils down to a test of wills between Kim Jong Il and the rest of the world; namely, that if the acquisition of nuclear weapons is coterminous with regime survival nothing short of war or iron-clad resolve on the part of the other five parties is going to persuade him to rollback and give up his nuclear weapons.

From the onset, the North Korean nuclear crisis has had to contend with a fundamental dilemma. Taken to its logical extreme, if one assumes that a North Korea with nuclear weapons is detrimental to the security of South Korea, the United States, and Japan, it is not beyond reason that some type of a preemptive attack could be considered. Yet such action may very likely escalate into a full-scale North Korean retaliation and another catastrophic war. Thus, while it may be very unpalatable, many South Korean feel that living with a nuclear-armed North Korea is preferable to pushing the envelope that could lead to war. Avoiding war at all costs—even if North Korea has nuclear weapons—seems to be the preferred strategic calculus of the current South Korean government.

To be fair, the Roh Moo Hyun Government has said that a nuclearised North Korea is unacceptable. Yet at the very same time, the same government has intimated that seen from North Korea's perspective, it is not entirely unreasonable that they are pursuing a nuclear weapons program. On several occasions, President Roh has repeated Seoul's official position that 'a nuclear North Korea is unacceptable and neither would it be acceptable by the international community.'[56] At the same time, for example, his remarks in Los Angeles before the World Affairs Council on November 12, 2004 highlighted his nuanced thinking on the North Korean nuclear, i.e., that seen from a North Korean perspective, they are partially justified in the quest for nuclear weapons.

Even if the North has maintained a rigid stance on the issue, setting forth conditions that may be difficult to accept, it still would not necessarily mean that it has no intention of giving up the nuclear program; rather, their rigidity may be reasonably interpreted as motivated by their need to be assured about the safety of its system that might be endangered if it accommodates changes...*The North Koreans maintain that their nuclear weapons and missiles constitute a means of safeguarding their security by deterring threats from the outside. By and large it is hard to believe what the North Koreans say, but their claim in this matter is understandable considering the environment they live in.* We cannot conclusively say that Pyongyang is developing nuclear weapons to attack someone or to support terrorists...Of course, we can hypothesise the worst-case scenario. Nobody can be sure how North Korea will act if it comes under armed attack or if its system is endangered due to outside influence, and it can see no means to defend itself. But North Korea is expected to give up nuclear weapons if its security is guaranteed and if it sees signs of hope that reform and openness will be successful. (Italics added).[57]

President Roh's statements on North Korea's missile tests also attests to his bifurcated views which has surfaced time after time. For example, following the July 5, 2006 missile tests, Roh remarked that '[these tests] were not direct at anyone in particular' and that 'North Korea's test was a political gesture designed to apply pressure on the United States.' In a press conference that was held in Helsinki during the just concluded ASEM conference, President Roh stated that 'The Taepodong missile was too 'scrawny' to reach the United States, and too

large to target against the South.'[58] Furthermore, when Washington and Tokyo have warned of consequences such as taking the issue to the U.N. Security Council should Pyongyang conduct a missile test, Seoul has demurred. Indeed, many in Washington believe that even if North Korea launches the Taepodong-2, Seoul is unlikely to join in any meaningful sanctions. Given the depth of Seoul's commitment to sustained engagement as the sine qua non of inter-Korean peace, the logic of engagement seems to have permeated into two critical areas: objective intelligence collection and analysis and requisite deterrence and defence measures. Ever since the June 2000 South-North summit, public opinion in South Korea has been sharply divided on how to perceive North Korean intentions. North Korea has waged a very successful psychological campaign against the South, to the extent that it has hinted at a 'sea of fire' if the conservative party wins the presidential election in December 2007.

Four basic outcomes can be envisioned vis-à-vis Pyongyang's nuclear weapons: (1) it gives up its nuclear arsenal based on the September 2005 joint statement in the Six Party Talks; (2) North Korea walks away from the Six Party Talks, breaks the self-imposed moratorium on long-range missile tests, and for good measure, prepares for an underground nuclear test; (3) it maintains strategic ambiguity by not breaking off multilateral negotiations but marginalising them through a de facto South-North political entente; and (4) the regime collapses with the rise of a hybrid party-army leadership. Other permutations are possible but given the unique nature of the Kim Jong Il regime—the world's only Marxist dynasty—intra-family succession supported by the Korean People's Army probably means that without nuclear weapons, North Korea's ability to sustain a 'threat envelope' will be weakened considerably.

Negotiation proponents argue that with enough incentives and security guarantees, Kim Kong Il could emulate Libya's Qaddafi. But Qaddafi's oil enables him to maintain minimum living standards for Libyans—which practically guarantees his stay in power—whereas for Kim Jong Il, he has no choice but to go down the path of extensive liberalisation and reforms. If Kim crosses the denuclearisation Rubicon, he then has to make strategic choices in other critical fronts: structural economic reforms, downsizing of the armed forces, improved ties with his sworn enemies, and influx of foreign capital and competing ideologies. Ironically, the cascading consequences of dismantling his nuclear weapons could be as burdensome as retaining them.

One of the key points that often goes unnoticed is how differently the six parties perceive North Korea's nuclear program. The Bush Administration's tacit preference is probably self-inflicted regime change but so long as Kim reigns in the army and maintains iron-clad rule, sudden regime change is not around the corner. China's views are more nuanced and complex. Beijing is clearly irritated by Pyongyang's nuclear program but it also serves certain strategic dividends. It's not entirely unreasonable to assume that a North Korea which maintains nuclear ambiguity checks and constrains US and Japanese forays. For its part, Russia seems to be realising that having lost the Korean portfolio to the Chinese after the collapse of the Soviet Union, Moscow seeks to benefit from bolstering Pyongyang. Among the five parties, it is Japan that is perhaps most worried about a nuclear and ballistic missile prone North Korea. But if the Self Defense Forces ever needed a reason for robust modernisation and rejuvenation of the US–Japan alliance after the Cold War, North Korea continues to provide a tailored made rationale. Last but not least, South Korea stands to lose most from a nuclearised North Korea yet its leadership, at least as it is presently construed, continues to maintain ambiguity for which it may ultimately have to pay a high price.

Conclusions

As Asia heads into the 21st century, the region will continue to face an increasing array of 'out-of-area' and 'inward-looking' security challenges that will directly and indirectly affect the security choices and strategies of the great and middle powers. The key word is choice since none of the more pessimistic scenarios that have been outlined and examined in this paper are preordained. Indeed, as security challenges become increasingly transnational and multi-disciplinary given that no major security issue is today solely 'domestic,' one of the major difficulties Asian governments will face lies in the increasing need to consider the responses and attendant strategic priorities on the part of key regional actors as they craft their own national security policies. Maintaining a silo mentality is virtually impossible in an era of unparalleled information flows and political and economic transparency. Some of the more salient lessons one can discern from current and emerging trends in a strategic Asia includes a greater appreciation for avoiding new strategic rivalries whenever possible and the critical need in containing and restraining unbridled nationalism.

The abuse and downplaying of historical responsibilities is often cited as the key reason behind mounting friction and mistrust between Japan and her neighbours. As Abe Shinzo assumes the premiership and articulates new agendas and issues for Japan, one hopes that he will limit the more excessive expressions of Japanese nationalism. Notwithstanding Prime Minister Koizumi Junichiro's major legacies including the revival of Japan's dormant economy, major political reforms within and outside of the LDP, and strengthening of the US–Japan alliance, it was under his watch that Sino–Japanese and Korean–Japanese ties deteriorated to their lowest levels in recent memory. Notwithstanding Japan's emphasis on accentuating its strategic partnership with the United States, the quickest way to Beijing and Seoul does not mean through Washington as Prime Minister Koizumi liked to insist. But if Japan needs to square up to history and the painful legacies which remains, neither should other Asian powers exploit history for intrinsically domestic needs. The surges in Chinese and Korean nationalism maybe understandable and even desirable to domestic audiences but as the recent historical dispute between Seoul and Beijing has illustrated, the misuse of history is not a Japanese monopoly.

Given the litany of security challenges confronting Asia, many have argued that the region should emulate Europe, i.e., paying more attention to multilateral security approaches that has, for the most part, performed successfully in Europe. The ASEAN Regional Forum, APEC, or for that matter, the ASEAN Plus Three mechanisms have served to heighten awareness of a series of complex issues. But in the main, the magnitude of security problems confronting each of Asia's major sub-regions constrains the possibilities of alleviating or even fundamentally resolving key obstacles through multilateral or multinational fora. The exception is the Six Party Talks but notwithstanding the need to continue to push for a diplomatic solution to entice North Korea back into the negotiating table, prospects for the moment remains limited.

While the role of the United States has remained largely unmentioned in this paper, this is not to suggest that the US role in Asian security will decline. To the contrary, the US role has served as the critical 'security common denominator' throughout the post-World War II era. But just as Europe is slowly moving towards greater security autonomy within the broader framework of the Atlantic Alliance, many have argued that the process of 'Asianisation' of Asian security should be emphasised. To be sure, Asia's ability to forge an intrinsically 'Asian' security approach is currently constrained by widely different political heritages and security

concerns. While some cooperative measures have been taken active multilateral security cooperation in Asia remains limited. Yet any future move towards Asianisation must be inclusive and include the critical role of the United States.

The future of the major powers in Asia, principally the United States, China, Japan and India cannot but have decisive impacts on shaping Asian–Pacific security well into the 21st century.

The future of the major powers in Asia, principally the United States, China, Japan and India cannot but have decisive impacts on shaping Asian–Pacific security well into the 21st century. The United States, for reasons mentioned above, is the principal power that will serve to maintain a Eurasian balance but China's strategic clout is becoming increasingly important as Beijing's influence grows. Yet taming China's own strategic ambitions is going to emerge as a key regional security challenge that will involve all of the major powers, but especially the United States, Japan as well as India. An anti-China coalition is neither feasible or desirable but the preponderance of Chinese power and future choices by China's political and military leadership may, at the very least, lead to constraining strategies on the part of Asian states do avoid a revival of a Sinocentric world.

Finally, evolutions on the Korean Peninsula are likely to impact heavily the shaping of Northeast Asia's security futures. If the two Koreas are able to overcome their entrenched difficulties and institute a range of CBMs (including arms control mechanisms), strategies and policies of the major powers cannot but change. But if history can serve as a guide, negotiated settlements leading to peaceful evolutions between rival powers are rare and rarer still in the Asian context. In the brave new world of Asia, how Northeast Asia tips may well be measured by the degree to which all of the regional powers can manage potentially volatile transitions on the Korean Peninsula based on structural fatigue and attendant consequences in North Korea.

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CRESCENT OF CRISIS: PROSPECTS FOR THE GREATER MIDDLE EAST

Philip H Gordon

The title of this panel is, 'Crescent of Crisis', and maybe I'll start by just a word on that. Last year we ran a project and wrote and edited a book, a volume called *The Crescent of Crisis* in which we brought together some top specialists on the Middle East. We met in Paris and we looked at Israel, Lebanon, Syria, Iran, Iraq, Afghanistan, Pakistan—it really is a geographic arc of crisis, to go back to Brzezinski's term of nearly 30 years ago—and assessed this question of prospects for the greater Middle East. Since we met in Paris we called it the '*Croissant* of Crisis Project'—but frankly that was about the only thing funny about it because in all seriousness the prospects did not seem very good at the time, and I'm afraid I'm here to say today that they don't look terribly good now.

What I will try to do is begin with a snapshot of what the Middle East looks like now and why I suggest that the prospects aren't very good.

What I will try to do is begin with a snapshot of what the Middle East looks like now and why I suggest that the prospects aren't very good. If you will permit, I will do that from a US point of view, which I think is legitimate, partly because the US plays such a central role in what's going on in the Middle East, and partly because maybe I have a bit more light to shed on that coming, as I just have, from Washington.

What's the snapshot? In Iraq we have an incipient civil war, dozens of Iraqi civilians dying every week, 140,000 US troops trying to prevent it from becoming a fully fledged civil war, possibly failing, and spending almost 300 million dollars per day in their efforts to do so. Next door in Iran we have a fundamentalist Islamic regime more secure in its power than ever, defiantly pursuing a nuclear weapons program. Iran is spreading its influence throughout the region, in Iraq, Afghanistan, Lebanon, Palestine, and raising the spectre of a very serious Sunni-Shi'a split that could even become a violent, and already is violent in Iraq and elsewhere.

In Palestine, the Palestinian Authority, we have an elected government that openly supports terrorism and violence, calls for Israel's destruction, supports suicide bombing. No peace process exists between Israel and its Arab neighbours. In Lebanon, an already fragile government has further been destabilised by the recent war between Hezbollah and Israel, from which Hezbollah emerged strengthened—whatever happened on the ground, it emerged as heroes to many in the Muslim world. In Syria, we still have an anti-American dictatorship, Damascus the home to a range of terrorist groups and a country that maintains very close ties to Iran. In Afghanistan, the Taliban are making a comeback and violence is increasing, opium production is up 50% over last year.

In Turkey there is a renewed violent campaign by the PKK, Turkish–US relations are strained and Turkey's path to the European Union seems to be in trouble. In Pakistan we have a dangerously unstable situation, repeated attempts at the life of President Musharraf, and the spectre of an unstable Islamist nuclear power. In Saudi Arabia, Egypt and Jordan, the process of democratisation that some seem to think or hope for in 2005 has clearly stalled, which, frankly, maybe a good thing because on past evidence in Iraq and in Palestine, free elections would produce a victory for Islamists, if not for those supporting terrorism.

So that's a quick snapshot of the greater Middle East. I think you get the picture, and it's not a terribly pretty one. It suffices as a partial answer to the subtitle of this presentation about the prospects for the greater Middle East. But I owe you a bit more than just a snapshot and what I would like to try to do is look a bit more in detail at some of these situations and the trends that are underlying them. Taking a step back again, if you will permit it, in the context of US foreign policy and the way the US is approaching the region, going back to 9/11, the fifth anniversary of which we just observed, and asking what went wrong. Why does this region seem to be even more troubled than it was five years ago? What are the sources of the crisis in the region and is there anything we can do to make it better—'we' collectively—or at least to avoid making it worse?

So let's go back, if we might, five years to 9/11, which is when the United States and the world over woke up to the degree to which the greater Middle East was in trouble, and look at the evolution of the situation on the ground and our dealings with it. From a US point of view what happened after 9/11 was that the 'old deal' we had with the greater Middle East and its leaders ended. By 'old deal' I mean an American approach to the region that basically said to the governments in the region, 'If you sell us oil, purchase our weapons and don't undermine the general stability of the region you can govern your countries pretty much the way you like'. I don't want to caricature too much but that was the basic summary of US policy—we wanted stability, and stability meant no clashes between states and what happened internally was really their business.

I think after 9/11 Americans decided that that this approach was no longer in our interest, that the consequences of the old deal made America unsafe and that the autocracies with which the United States maintained such good and strategic relations were actually creating circumstances that threatened our own and global security and actually further undermined the situation in the region. The lack of freedom and democracy was producing a lot of resentful, angry young men, some of whom turned to terrorism, and if they couldn't topple their own dictators directly they would attack western and international targets, including in the United States.

I have just finished reading Lawrence Wright's book, *The Looming Tower*, which I highly recommend to those of you interested in this question. It's the story, after five years of research, of the Al Qaeda organisation and its origins, and it really gives you a good sense of the feelings of humiliation and frustration of a lot of these angry young Muslim men who saw after the colonial period ended the hope placed in secular, nationalist, socialist regimes and how that hope faded as those regimes became corrupt, authoritarian and, frankly, in many cases failed. Consider the comparison between the Middle East and other parts of the world—for example as we were discussing earlier the rise of Asia, which spectacularly succeeds and surpasses the Middle East. In the region itself, Israel, which 60 years ago doesn't even exist, suddenly exists, becomes more powerful and rich than all of its neighbours, with western support. All of that creates enormous frustration, indeed even

humiliation, among many in the region and leads in certain quarters to the notion that 'Islam is the solution', and even a justification for violence.

It was one thing to support the possible hypothetical preemption or the notion of spreading democracy in general, but it was quite another to actually physically go and try to transform the region as the United States did with the invasion of Afghanistan, and, even more importantly, the invasion of Iraq.

That is the sort of realisation that I think struck many in the West, certainly in the United States, certainly in the Bush Administration, which decided that the only way to make the United States and the world safe, and the Middle East safe and at peace, was to transform it. Thus you got, in 2001, 2002, the so-called 'Bush doctrine', the notion that America was at war, that it had to go on the offensive, possibly pre-empt, and perhaps, most importantly, that spreading democracy and freedom to this part of the world was necessary to make the world safe. This wasn't an entirely new US foreign policy, the United States had always been relatively unilateralist, often assertive, always supportive of democracy—but it was new in the sense of the degree to which it went. It was one thing to support the possible hypothetical preemption or the notion of spreading democracy in general, but it was quite another to actually physically go and try to transform the region as the United States did with the invasion of Afghanistan, and, even more importantly, the invasion of Iraq.

That was the plan five years ago—but as my snapshot suggests it doesn't seem to be working as planned, and it may be worth a bit as an explanation as to why. The administration and its supporters, of course, would assert that you just need time, and that transforming the greater Middle East is something that can't be done in a few years. We just need to keep at it. Others, in a critique that's emerging from the right of the Bush administration, say that Bush's approach to the Middle East is more or less right but it needs more energy and resources. That's the line of former Speaker of the House Newt Gingrich and others who see what is going on now in the world as an incipient World War III, and we need to think of it as such. Gingrich says that we need more 'energy, resources and intensity'. Bush is right, Gingrich says: his strategies are 'not wrong but they're failing'.

I'm afraid I think the problems in the region are greater than that and even with more US energy and intensity we would be destined to fail. Let me pick that up by looking at some of the particular challenges—again, I can only be brief on some of these but I want to separate them out, mention a few particular ones and hopefully we can come back to any of them in the discussion. Beginning with Iraq, the initial assumption of the administration was that Iraq would be the key to the rest of the region, but in a positive sense. We know that the particular justification of the Iraq war was the weapons of mass destruction issue but behind that was a much greater idea which was that toppling Saddam Hussein and installing a democracy in Iraq would lead to democratisation throughout the region, which links back to what I described as the 'Bush doctrine', as the key to peace, eliminating the source of frustration and humiliation of the people.

It was supposed to have a positive and a negative effect. The negative effect would be to send a message to other dictators in the region that they'd better get with the program and respect American power. The positive message was to be to create a decent democratic society in Iraq that would be a model and an inspiration for neighbours. This would also, according to the theory, lead to peace between Israel and its neighbours. You remember the phrase about the road to peace in Jerusalem passing through Baghdad as the Palestinian side would also come to respect US power.

Of course, none of this has happened and instead of the model democracy that was supposed to be created in Iraq we have a bleeding, open wound which is sapping American strength and morale and providing inspiration and training to Jihadists. There's a great debate in Washington now about whether the Iraq war was a good idea badly implemented, with all the critiques of planning and how it was gone about, or simply whether it was really fundamentally impossible to transform Iraq and turn it into a democracy. I have to say I am more or less in the latter camp. That is not at all to question or to doubt the critique of the mistakes that were made, and again, put on your reading list Tom Ricks' *Fiasco*, the *Washington Post* journalist, and Michael Gordon's *Cobra II*. Especially when you read *Fiasco* you can no longer doubt that mistakes were made.

But that doesn't necessarily lead to the conclusion that had they not been made everything would have turned out fine. I think when you step back and look at the situation that we were trying to address, thirty years of dictatorship, competing ethnic and religious groups, neighbours who want to have an influence, understandably, in this important country, unevenly distributed resources—that is to say oil in some parts of the country but not in others—and a deep resentment of westerners and foreigners, the idea that even if we had gotten everything right, whatever that means, could have produced the stable democracy we wanted I think is seriously to be questioned. That debate will go on, you can never win it or prove your point, but I think more Americans are now coming around to the view that the bar was set too high and we couldn't actually do what we set out to do.

Is the failure in Iraq definitive and is civil war inevitable? I still don't think so. But it is true, and we have to be honest, that the problem has now evolved from a largely anti-American insurgency—which still goes on—into an incipient civil war. Even President Bush has really stopped claiming progress in addressing these issues and is simply asserting now that to leave would make the situation even worse. I fear he is right about that. Success, if you redefine success to just a minimum of stability, I think is still possible—but so, frankly, is total failure with all sorts of consequences for the region.

This brings us to Iran, because the things are related. Before the Iraq war it was Iran that was worried. There was rising opposition to the regime and the Iranian regime in 2002 was putting out feelers to the United States about a possible new relationship. Now I think the situation has been reversed, partly because of consequences in Iraq, and everything seems to be going Iran's way. Knowingly or not, the United States did Iran an enormous favour: it got rid of Iran's rivals and enemies to the east in Afghanistan, and then it got rid of Iran's rivals and enemies to the west in Iraq, effectively putting Iraq under the influence of the majority Shi'a and therefore of Iran. It's like a gift from Washington. Americans had persuaded themselves that because the Iraqi Shi'a had fought with Iraq during the Iran–Iraq war, that they would be more Iraqi than Shi'a and Iranian influence would be limited. That view, in retrospect, turns out to have been quite naive and getting rid of the Sunni minority

government in Iraq has inevitably lead to the rise of the Shi'a, who are in fact close to and significantly supported by Iran.

With the US entirely bogged down militarily in Iraq, oil at $60 a barrel, Iraq under Iranian influence, Iran really feels the wind at its sails. It is true that the price of oil has fallen about $10 a barrel over the past month or so, but it's still $40 a barrel more than it was when this all started. If Iran is producing four million barrels a day, that's US$40 million per day for every 10 additional dollars per barrel that you get. If it's $40 per barrel more than it was before, that's a very rough estimate of over $50 billion per year for Iran. You can have an awful lot of influence in the region and the world with an extra $50 billion.

United States policy toward Iran has evolved significantly, and I think wisely.

United States policy toward Iran has evolved significantly, and I think wisely. It has moved along a spectrum from a few years ago where the attitude was: 'Iran is part of the axis of evil, we will not reward bad behaviour. Our power will transform this regime', to a recognition that that's not going to have any effect. Now the US has progressed significantly in the direction of being willing to provide incentives and direct talks with Iran. But, frankly, under the circumstances I just described there's no evidence that that is actually paying off and that Iran is willing to play ball. The UN Security Council just last week extended the deadline yet another time for Iran to suspend uranium enrichment and there seems very little reason for Iran to really back down. So let's be clear, we're talking about nuclear proliferation in the Middle East. If Iran gets nuclear weapons I think all bets are off in the region: Saudi Arabia, Egypt, Turkey... If you think it through, if the international community is willing to allow Iran to have nuclear weapons, who is it not going to be willing to allow to procure nuclear weapons? This would have a very serious impact on the region and on the dynamic I described before about the Sunni-Shi'a split. If you're a Sunni government or regime in the region and you see the Shi'a in Iran becoming a nuclear state, I think you have to think about your own attitude towards nuclear weapons as well.

Nor are prospects for Israel particularly good. Arguably, they're as bad as they've been since 1967. When it came into office, the Bush Administration decided that its initial policy on Israel would simply be to do the opposite of what the Clinton Administration did. Bush came in, was determined not to get bogged down in endless negotiations over an Arab–Israel peace, and concluded that the way to bring peace in the Middle East between Israelis and Palestinians was to show American strength, strongly back Israel and support democracy in the region. Well, we supported democracy in Palestine, we supported free elections, and what we got was a Hamas-led government that doesn't recognise Israel and supports violence against it and the peace process seems to be dead. Even worse, on the northern front, which we had neglected for a while, Hezbollah laid a trap for Israel with the killing and capturing of Israeli soldiers and Israel fell right into it, with US support. A bombing campaign that was driven more by an attitude that Israel had to 'do something' than by any coherent strategic plan has led to the empowerment of Hezbollah within Lebanon and throughout the region and a much more united Muslim world against Israel and the United States. Instead of

the Sunni world worrying itself about the rise of Iranian Shi'a-supported Hezbollah, the Sunni world turns on Israel, turns on the United States, and we have an even greater problem on our hands.

In Lebanon itself, prospects and trends are also not particularly good. They had been quite good under the leadership of prime ministers Rafik Hariri, rebuilding the country and overcoming decades of civil war. Even after Hariri's tragic assassination there were signs of hope, with millions of Lebanese pouring into the streets, the UN Security Council coming together to demand that Syrian troops withdraw from the country and progress being made towards a stable, truly Lebanese government. I'm afraid that the Israel–Hezbollah clash over the summer has set that back. A million displaced Lebanese, damaged and destroyed homes, $3½ billion worth of infrastructure destroyed, $2½ billion in capital flight, huge immediate aid needs and massive lost revenues due to problems for the economy and tourism. On top of that is the strengthened role of Hezbollah in Lebanese politics and a potential return to the instability of the past, all of which is vividly illustrated over the past week with the duelling demonstrations between Hezbollah and the Maronite community.

Hopes in Syria have also been dashed. There were many hopes that the younger Assad, Bashar al-Assad, who had studied in London, would be the sort of reformer that the Americans and others wanted to see in the region. Instead, Syria continues to support anti-Israel terrorist groups out of Damascus and the western international isolation of Syria has led only to its embrace or partnership with Iran and continued support for Hezbollah. It raises the question of the international approach to these different problems when they're all put into the same camp and no choices are made. You can't engage with the Syrian regime and promote democracy in Syria at the same time.

In Afghanistan, I'm afraid the trend is also not particularly good. The line in Afghanistan, which I visited last December, had been that the situation was bad, because the baseline was so poor, but that the trend was good. The US commander in the region, Karl Ikenberry, likes to say, and still says, when you think about Afghanistan don't look at the picture, look at the movie. Sadly, I think while that was probably true a year ago the movie doesn't look very good either now. Suicide bombings, which were virtually unheard of in Afghanistan in the first few years of the international presence, are now proliferating. More than three-fourths of all suicide bombing in Afghanistan since the war in 2001 have taken place over the past year. In other words, in 2002, 2003, 2004, even through half of 2005, they were not a significant occurrence; since the summer of 2005, more than 75% of them have gone off. The Taliban, which once seemed destroyed, is resurgent. Poppy production is up by 50%. NATO is doing a valiant job trying to keep a lid on the violence but troop commitments are falling short.

There are a number of countries I haven't yet talked about, and won't for reasons of time: Egypt, Saudi Arabia, Jordon, Gulf States, Pakistan. But I do think it's fair to say across the board there that while none of those are as visibly and immediately unstable as those that I've been speaking about there is no reason to believe that things are moving in a positive direction in any of them. The democratisation that seemed to be happening now seems to have been a mirage or something done in order to keep the Bush administration temporarily happy. I can say that a senior colleague of mine at the CIA says of all of the countries that I have mentioned briefly or at more length, it is Pakistan that is the one that most keeps him up at night.

Instead I will conclude not with a detailed plan for solving these but with some brief thoughts on how to think about these issues.

All of that is a way of, again, answering the subtitle in this presentation and a way of saying that the prospects for the greater Middle East are not very good. And this is the point in the talk where I'm tempted to say that the rest of my speech is a detailed plan for resolving all of these problems...but we are unfortunately out of time and I won't be able to share that with you this morning. That is what I would like to say but I don't suppose that would be fair and I owe you a bit more than that. Instead I will conclude not with a detailed plan for solving these but with some brief thoughts on how to think about these issues.

Firstly, and this is banal but it's also true, we do have to be patient. The greater Middle East that I've described really is in deep-seated crisis and these problems are not going to be fixed tomorrow. There was initially much American impatience and optimism, partly as a result of this great decade we had in the 1990s when we were growing militarily and technologically and economically and our enemy disappeared—Americans always want to look positively at the future—but 9/11 happened to come at a moment when we actually thought we had good reason to believe that we were capable of transforming the world. Americans are starting to doubt that now. So we do have to be patient on this.

A somewhat more hopeful sign than everything I've said so far is that in the long run one part of this problem—Islamism, Jihadism, whatever you want to call it—is an ideology that will fail in the long run, as other extremist ideologies have failed. Communism was another utopian ideology that we had to face. It was a great challenge. We felt for many years early in the Cold War that it was insurmountable, that communism was rising, and we didn't know what to do. But in the end it did fail. People who practised it realised it was failing and they got rid of it. It took 70 years though and I think that's what we have to accept here as well. We're talking about a generational problem rather than something we can fix in a couple of years. But we should be a bit more hopeful than we sometimes get on the heels of presentations like the one I've just made. I really don't think that returning to seventh century utopia on the Arabian peninsula is going to be the thing that persuades this swathe of humanity that that's the way that they want to live. Where political Islam has been tried in places like Iran and Sudan it already has failed and become unpopular. I think if we stick to our guns and believe in our own ideology we can have a little bit more hopeful attitude about some of this, but we have to realise that it may take some time and some disagreeable things may happen in the meantime.

Second, and I've alluded to this before, I would say we have to think about this greater Middle East not as one crisis but as a number of different ones. I think that is helpful both conceptually and in terms of the policies that we pursue. The Bush administration approach seems to lump it all into one problem and you get all these references to 'the enemy' or 'the war that started on September 11th 2001', or 'Iraq as the central front in the war on terror', as if everything that I've described here is just one single problem. But as I suggested already, it clearly isn't. You have Sunni and Shi'a fighting each other in Iraq, you have Arabs and

Persians who are historic rivals, you have groups like Hezbollah and Hamas which have very specific national aims that don't necessarily have to do with the broader picture, you have autocratic secular regimes and you have Islamist non-state actors. They're all very different problems. If you see it all as one problem and you have to defeat that problem then you're failing to decide what's most important to you and in your desire for consistency you're unable to make compromises with some pure approach and deal with problems in a more pragmatic way.

Third, I think we can no longer afford to remain immobile on the Arab–Israel front, and immobile is pretty much what we have been for the past five years or so. A more engaged policy on Arab–Israel peace might not work—it didn't work when the Clinton administration tried it and it might not work now. But we shouldn't underestimate the cost of appearing indifferent on this problem. I think Americans tend to argue—to be sure with some justification—that even without the question of Israel and Palestine there would be terrorism, there would be Jihadism. 9/11 was planned during very serious Palestinian–Israeli negotiations, that's true, but that shouldn't be an excuse for not being engaged in trying because the reality is that this is fuel for the broader conflict. I described some of the ways in which it caused different problems for us before, as with Hezbollah or as with the broader Al Qaeda phenomenon, and I think it is absolutely essential, with US leadership and support from others around the world, to do more and not pretend that it somehow doesn't matter what's happening between Israel and Palestine. Frankly, even trying and failing would be better than not trying at all.

Finally, I've been talking a lot about the United States here, for reasons that I tried to justify, but I would end by emphasising the role of the entire international community on this set of problems. None of the problems that I address can be handled by the United States alone, contrary to what many Americans may have thought a couple of years ago and would still like to believe. Only a united international front can offer the right package of carrots and sticks to deal with the uranium nuclear program; only a united international front with legitimacy and resources and commitment can provide adequate support for the government of Iraq; only an international united front with legitimacy and resources and troops can provide adequate support for the government of Lebanon; only a united international front with all of those things can provide the troops and the finances to win in Afghanistan. So whatever you think of US policy over the past couple of years, the reality is that this is a region that affects everybody all around the world, including, it goes without saying, Australians—with their global economic interests and their desire to ensure the security of their citizens and their values and their humanitarian concerns. In that sense, Australians and everybody have a huge stake in all of the great problems that I've discussed.

TRICKY TRIANGLE: THE US–CHINA–JAPAN RELATIONSHIP

Xiao Ren

The US–Japan–China relationship is clearly a crucial great power relationship in the region. It is the foundation of Asian stability and you would never overestimate its importance. We have reasons, and I am delighted to say that, to be more hopeful than in the Middle East.

The US–Japan–China relationship is clearly a crucial great power relationship in the region. It is the foundation of Asian stability and you would never overestimate its importance.

Firstly, US–China relations have been relatively stable in recent years. Almost a year ago, or I think exactly a year ago, the US Deputy Secretary of State, Bob Zoellick, gave an important speech in New York. In that speech he spoke of the vision and hope of China as a responsible stakeholder in the global system. I think it is a very important speech. Interestingly, this new term of 'responsible stakeholder' has also been written down in the recent US *National Security Strategy Report* 2006 as well as in the new *Quadrennial Defense Review* (QDR) report. It seems to be a new consensus in the Bush Administration.

Recently, the Deputy Assistant Secretary of State, Tom Christensen, who is responsible for China affairs in the Bureau of East Asian and Pacific Affairs, came to Shanghai and I joined in a lunch with him. We also talked about this new development. Last month he appeared before a Congressional committee for a hearing and in his testimony he, of course, spoke about Chinese affairs and reiterated the responsible stakeholder thesis. He emphasised that China's global emergence is a natural consequence of its economic growth and development and may not be seen as a threat to the United States. He goes on and says, 'I think China increasingly recognises this interest and we are making progress in many areas of mutual concern'. I think this is a fairly balanced view of China, a fairly balanced assessment of the current US–China relationship.

I think fundamentally America's national interest is that China not become a threat to the United States, or a competitor of the United States ...

I think fundamentally America's national interest is that China not become a threat to the United States, or a competitor of the United States, and presently the United States should engage with China and help China to become a responsible stakeholder in the global system. For China, its fundamental national interest is to take a path of peaceful development and

to become a medium-level developed country by the middle of this century. Given that, externally the fundamental task of China's foreign affairs is to build a peaceful and stable international environment. It means trying not to become confrontational with the other great powers, including the United States, although that does not mean that China does not defend its own national interest.

Given the above fundamental national interest of the two great powers, I don't believe the historical fatalists arguing that a rising power and a current great power will inevitably clash. I think the two sides need to manage the various issues between them in their interactions. One encouraging development is that the two countries have established at various levels different mechanisms to deal with all the kinds of issues, including regular visits of their leaders to each other's capital cities. One newer one is senior level dialogue for the number two persons of the two foreign ministries to get together to discuss issues, not of the day-to day urgency but more long-term issues.

In September, the US and China announced a high level economic dialogue aimed to move beyond such day-to-day issues as currencies. The first meeting was held that month and it focused on long-term concerns and set the tone for more constructive relations. Before the US President's representative, the Secretary of Treasury, Hank Paulson, went to Beijing for that strategic economic dialogue he was interviewed by the *Financial Times* and in that interview he stated that the US was taking a comprehensive approach to China and recognised China as a leader, adding that 'with leadership comes responsibility', and I think that is true. One interesting thing is that we Chinese are not very accustomed to the term 'leadership' and when the outsiders are praising China for playing a leadership role we often ask ourselves, 'Are we playing a leadership role?'. Well, gradually I think we are playing a more constructive and responsible role in international affairs.

Japan is always quite delicate about US–China relations. On the whole it expects US–China relations to be not too good and not too bad. When it thinks that the US–China relationship is too good it feels that it is ignored and when some problems occurred between the US and China or the relations become too tense, Japan feels that it is in an awkward situation between the United States and China. Some people in Japan tend to believe that the United States will either choose China or Japan and if it chooses China, Japan will be isolated, and vice versa. I think this view is not that realistic because for the United States it is not necessary to make such an option and the judgement of China as a responsible stakeholder is not based on American ignorance of Japan.

I think the US–Japan alliance is increasingly becoming a global alliance.

Next, US–Japan relations and China. I think the US–Japan alliance is increasingly becoming a global alliance. In June 2006 Prime Minister Koizumi made his high profile visit to Washington, obviously his last visit to the United States, and a joint statement came out of it claiming a US–Japan global partnership for the twenty-first century. Since the mid-1990s, the US–Japan alliance has been undergoing a process of upgrade and strengthening. They have been doing a lot of cooperative things, including military interoperability, missile defence

cooperation and so on and so forth. I think for both capital cities they both think that the alliance is in very good shape, particularly Japan. Many people in Japan tend to believe that as long as there is a solid US–Japan alliance everything is going to be okay.

For China this alliance should be a bilateral one and should not be a regional or even global policeman. China has some reservations when the so-called Two Plus Two meeting of the American Secretaries of State and Defence plus Japanese Foreign Minister and Head of Defence agency claim that Taiwan is one of their common strategic objectives. China hopes that the US–Japan alliance is not aiming at a third party and will not affect China's national interests negatively. Well, after all, Japan is an Asian country and the alliance with the United States is always regarded as top priority for Tokyo. There is tension between the two. One big question for Japan is that it needs to find an appropriate place between the United States and Asia.

For many years, Japan has looked at other Asian countries with a mindset of top down, and I think it's time for Japan to rethink this mindset. The fundamental question between Japan and China, I would argue, is that for more than a hundred years it has been looking at China from that kind of mindset and it's not able to look at other Asian neighbours on an equal footing. It is not that willing, and is not able, to accept China's emergence.

So we come to China and Japan and the US factor. In the past five years the Sino–Japanese relationship has undergone a difficult process, as we all know very well. In this time, Chinese and Japanese leaders have not made mutual visits to each other's capital cities. Koizumi became the Japanese Prime Minister in April 2001 and for six consecutive years he paid visits to the Yasukuni Shrine, repeatedly, where 2.5 million Japanese servicemen who have fallen in wars since 1868 are honoured but where the names of fourteen class A war criminals from the Second World War are also memorialised. That seriously undermined the political foundation of a Sino–Japanese relationship and that has prevented the leaders of the two countries from visiting each other's capital cities. The Yasukuni controversy highlights the complicated nature of this bilateral relationship.

Firstly, it is a mixture, the relationship of domestic and foreign affairs in both countries and perhaps more than before the domestic factors of the two countries are affecting their foreign policies more than ever. Secondly, it is the mixture of past and present. Japanese politicians' words and deeds have constantly reminded the peoples of the neighbouring countries of the unhappy past. At present, on the other hand, their relationship has changed a lot and particularly their economic relationship has become increasingly interdependent. Thirdly, there is an entanglement of sentiments and interests. The mutual perceptions are such that on the one hand the common interests have been growing rapidly and on the other hand people's sentiments have somehow worsened. Unfortunately, the historical issue of Japan's wartime atrocities and its shameful national amnesia is orchestrated by its right-wingers and tolerated by the silent majority.

Last spring there were the demonstrations where it was claimed that 24 million Chinese signed an internet petition opposing Japan's bid for a permanent seat on the UN Security Council. The Chinese people were reflecting anger at the possibility of Japan becoming a permanent member of the UN Security Council. At the outset, the United States did not care much about these Sino–Japanese frictions but in the recent two years, I think, have shown some unease. For instance, the *New York Times* editorial of 13 February 2006 eventually takes a clear and strong stand towards the history issue, saying that 'public discourse in Japan and

modern history lessons in its schools have never properly come to terms with the country's responsibility for such terrible events as the mass kidnapping and sexual enslavement of young Korean women, the biological warfare experiments carried out on Chinese cities and helpless prisoners of war, and the sadistic slaughter of hundreds of thousands of Chinese civilians in the city of Nanjing,' and 'China has no recent record of threatening Japan'. This is from the *New York Times* editorial.

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From a Congressional perspective, the chairman of the House International Relations Committee, Henry Hyde, wrote an interesting letter in May to the Speaker of the House of Representatives. At the time the two countries were preparing for Prime Minister Koizumi's visit to Washington and there seemed to be a possibility for him to deliver a speech to the US Congress. The Congressman expressed his view that if Koizumi wanted to come to the US Congress to give a speech he should promise not to visit the Yasukuni Shrine again, that if he delivered a speech to the US Congress and then some weeks later he went to Yasukuni again it would clearly be an embarrassment for the US Congress.

Earlier this month, on 14 September, the House Committee on International Relations had an international relations hearing called 'Japan's relations with its neighbours'. We know that in many cases the causes of recent frictions have little to do with the United States so why bother to conduct such a hearing. For Congressman James Leach, Chairman of the Subcommittee on East Asia and the Pacific, I quote, 'It renders problematic the prospect of cooperation between the United States, South Korea, Japan and China on a range of important issues, not the least of which is the North Korean nuclear challenge'. So these historical conflicts and the active regional dynamics they can engender should be of concern to Washington.

As well, some serious American scholars and top Japanese specialists also delivered unprecedented warnings. For instance, Mike Mochizuki uses 'Japan's Drift From Pacifism' as a title for his recent *Los Angeles Times* piece. Steve Clemence' *Washington Post* piece is called, 'The rise of Japan's thought police', and so on for other American Japan specialists too. These arguments are different from the words of Ashley Tellis yesterday arguing that this situation gives the United States tremendous leverage, there is some difference here. For some group of people in the United States, the US does not benefit from the Sino–Japanese frictions. From Michael Green, the former Senior Director for Asian Affairs at the National Security Council, 'Our interests are not served by tension between Japan and China.' Some people also argue that the six-party process could be affected negatively. Thirdly, the continued tension threatens polarisation of Asia with Japan on one side and China and South Korea on the other side. More importantly, perhaps, the prolonged frictions between Japan and China and South Korea will isolate Japan and will also isolate the United States. So for Michael Green

the United States can pursue a strong alliance with Japan and good relations with China at the same time.

You all know Abe Shinzo became the new Japanese Prime Minister yesterday. I think his top priority in terms of Japan's foreign affairs is to improve Japan's relationship with its East Asian neighbours. It is also an opportunity for Japan and its neighbouring countries if the new Japanese Prime Minister can show restraint and be careful on the issue of Yasukuni Shrine visits. If so, there will be some room for the Chinese side, and the Japanese side, to adjust mutually their policies and to make bilateral summits between their leaders happen. Gossip is going around that there is a possibility for Prime Minister Abe Shinzo to visit China sooner rather than later. There are also multilateral summits from now till the end of this year, such as APEC and the Ten Plus Three summit and so on, for Chinese leaders and Prime Minister Abe Shinzo to call meetings.

In conclusion, I believe that the triangular relationship remains vital for the Asia–Pacific region. Based on prudent judgments of their respective fundamental national interests, it is hoped that the United States and China will manage their relationship well and China and Japan will get along. To me Japan did apologise previously but apology is a one-way action and what matters is that reconciliation is more important because it is a two-way action. The two countries should make efforts for more constructive interactions and an eventual reconciliation between the two countries and the two peoples. Looking into the future, the US–Japan–China triangular relationship continues to be the crucial great power relationship in the region: when they cooperate, Asia benefits; when they clash, Asia suffers. Good luck for the three peoples and for us all.

THE GEOPOLITICS OF COOPERATION IN ASIA

Dino Patti Djalal

Let me begin with a story that I heard recently about a conversation between Prime Minister John Major and President Boris Yeltsin. They were having a conversation and the British Prime Minister asked President Yeltsin, 'If you could describe your economy in just one word what would it be, Mr President?'. President Yeltsin thought for a while and said, 'Good'. The British Prime Minister said, 'Well, I'm not buying that, your economy is in a big mess. I'll tell you what, I'll give you more than one word to describe the state of the Russian economy. What would they be?'. President Yeltsin thought for a while and said, 'Not good'.

If you ask me how are relations between Indonesia and Australia, if you give me one word the answer would be 'good', but if you required more than one word I think the answer would be 'quite good'.

If you ask me how are relations between Indonesia and Australia, if you give me one word the answer would be 'good', but if you required more than one word I think the answer would be 'quite good'. You will be pleased to know that there is now good progress in the talks that are happening between the two sides to conclude a bilateral treaty on security cooperation. This will be a comprehensive framework treaty which will cover cooperation in law enforcement, maritime security, counter-terrorism, intelligence, natural disasters and others. If it is signed, and hopefully it will be signed sometime this year, it will be an important development in relations between Indonesia and Australia. It will also highlight the shift in the geopolitical relationship between our countries. The treaty does not make Indonesia and Australia allies, because Indonesia cannot enter into any military alliance with any country, but it does express our common conviction, as President Yudhoyono said, that the security of Indonesia and Australia are interrelated and that we need to engage in cooperative security. It also does signify how far this relationship has progressed since the stressful and uncomfortable period of 1999 during the troubles in East Timor.

Clearly, there are new factors now driving the relationship between Australia and Indonesia, factors that were not noticeably there before but factors that have become important to both governments and have captured public imagination: terrorism, tsunami, earthquakes, people smuggling, avian flu. When I joined the foreign service back in the 1980s, these issues were not on the board, but today they are clearly at the top of our agenda. Again, it just goes to show you that countries change and relationships change—and I will repeat this phrase again throughout my presentation—and as times change, the security agenda also changes along with it.

But what has happened bilaterally between Indonesia and Australia is hardly an isolated event. If you look across the region and evaluate the security and strategic relationships you will also find many changes, and this would be true between smaller countries, medium

countries, major countries and major powers. It is not an across-the-board change but it is noticeable enough for us to assert that we are seeing a new trend, and I would like to call that trend the geopolitics of cooperation. Yes, there is still rivalry and competition and flashpoints in our region, but we are also seeing more and more geopolitics of cooperation, or cooperative peace, and we need to see more of that for the sake of our regional stability.

I think one of the greatest geopolitical transformations in our region has been in Southeast Asia. Southeast Asia has been transformed from a divided region to a cohesive geopolitical unit, the ASEAN 10.

I think one of the greatest geopolitical transformations in our region has been in Southeast Asia. Southeast Asia has been transformed from a divided region to a cohesive geopolitical unit, the ASEAN 10. To be honest, I never thought it would happen during my career when I joined the Foreign Ministry, but it did and that is also to the credit of ASEAN. Southeast Asia was once a war-torn region and we had war in Cambodia and Vietnam, in Laos. Today no Southeast Asian country is engaged in war with another Southeast Asian country or with outside powers. I think the most symbolic development recently would be the change in US–Vietnam relations. The US and Vietnam have signed on to permanent normal trade relations, and trade between them has shot up from $1 billion in 2001 to $8 billion in 2005. Intel has just picked Ho Chi Minh City as the site of its $600 million microchip plant. All these things signify that, yes, times change, countries change and relationships change. Another symbolic development in this context would be the evolving relationship between Indonesia and China. We froze diplomatic relations with China for a long time until they were normalised again, and now Indonesia and China have entered into a strategic partnership.

Another sign of geopolitical transformation in the region is the Treaty of Amity and Cooperation. In 1976, it was only signed by six ASEAN members. Now, it has been signed by all of ASEAN plus 10 others: India, China, South Korea, Russia, Australia—congratulations—Mongolia, and I don't remember all the countries that have signed on to it. But it is very significant for the region that more and more countries are signing on to the Treaty of Amity and Cooperation. I think we need to continue this process and encourage more countries to sign on to the Treaty of Amity and Cooperation, including, of course, the United States of America.

Regionalism is also growing. The ASEAN members now have committed themselves to reach an ASEAN community by 2020. This means that now we have a new geopolitical landscape and a roadmap, which means more predictability about where Southeast Asia as a whole is heading and how it will be managed. We did not have this in 1967 when ASEAN was founded. We also had the emergence of democracies in Southeast Asia which is also changing the geopolitical landscape. I think the most recent developments of that is the emergence of Timor-Leste as a democracy and also in Indonesia, which means that Southeast Asia now is the home of the world's third largest democracy, which is Indonesia, third after India and the United States.

Despite all these geopolitical transformations, ASEAN still faces a number of challenges. The region is still divided in terms of development gaps between the ASEAN 6 and the CLMV countries: Cambodia, Laos, Myanmar and Vietnam. If you add the GDP of Myanmar, Cambodia and Laos, it is still less than the GDP of the Philippines or Singapore, for example, and that gives you an idea of the glaring development gaps that need to be reduced. There is also the issue of maintaining ASEAN's centrality in the scheme of things, especially in the evolving regional architecture that is emerging, the East Asia summit, for example. ASEAN needs to be in the driver's seat and how ASEAN does this and how ASEAN manages its relationship with the outside powers will be critical to this. There is also the need for ASEAN to evolve itself, which is why there is now an eminent persons group drafting an ASEAN charter. All these challenges, closing the development gap, maintaining centrality and evolving ASEAN, will necessarily mean that ASEAN will need to adopt more geopolitics of cooperation, which means ASEAN needs to cooperate more internally and also externally with the other players.

Despite all these geopolitical transformations, ASEAN still faces a number of challenges.

I think one of the most important developments in Southeast Asia in the last decade or so would have to do with China. My good friend Chris Hill, the US Assistant Secretary of State for East Asia and the Pacific, has said, and in fact has conceded, that 'China's most dramatic diplomatic, political and economic gains over the past few years have been in Southeast Asia'. Indeed, China has successfully adapted its approach towards Southeast Asia. It has de-ideologised its approach, it has not been heavy-handed in dealing with the region, it has refrained from commenting on internal affairs—perhaps because it expects others to do so as well—it has presented itself as a sympathetic, responsible, helpful and agreeable partner to ASEAN, and also bilaterally. China is spreading its soft power very, very well, it's becoming a key trading partner to many Southeast Asian countries, and as a result China is building a lot of political capital in Southeast Asia. The comfort level towards China is probably higher than it has ever been. ASEAN does not see China as a threat, as some would say in the literature, but as a challenge and opportunity, and it is going to be an evolving relationship.

China has also signed the Treaty of Amity and Cooperation, one of the early countries to do so with ASEAN. China is also the first nuclear state that has expressed readiness to sign the protocol to the Southeast Asian Nuclear Weapons Free Zone Treaty. China is also very proactive and eager to shape the regional order, coming up with a lot of diplomatic initiatives on her own—the ASEAN–China Declaration of Strategic Partnership for Peace and Prosperity, for example, the South China Sea Code of Conduct, the ASEAN–China Free Trade area, the ARF security policy conference, the ARF mechanism on disaster management. All these regional schemes were offered by China which indicates a growing confidence and proactiveness on the part of China in dealing with Southeast Asia. There are now about twenty-seven separate China–ASEAN mechanisms at different levels. What China demonstrates in doing all this is that geopolitical relationships are not necessarily driven by military alliances—not today—but they are more driven by the expansion of soft power: trade, investment, education scholarships, cultural links, aid, building railway links, building Hun Sen's office in Cambodia. All these things give substance to the relationships.

What about Northeast Asia? I will not dispute the fact that Northeast Asia has not made the geopolitical transformation as smoothly or as substantively as Southeast Asia, perhaps because of historical baggage, perhaps because the disputes are too complex, perhaps because the strategic rivalries are too strong. But in Northeast Asia old age tensions still persist between China and Japan, between China and South Korea, North and South Korea, the North Korean nuclear tension, between Japan and South Korea, between Japan and Russia, between North Korea and Japan, North Korea and the United States, and also across the Taiwan straits. These problems are not insurmountable, I think they can be undone, but their persistence all these decades do mean that it is difficult for Northeast Asia to become geopolitically coherent for the near future.

But there are some positive developments and I would like to focus on them. The first is improved US–China relations.

But there are some positive developments and I would like to focus on them. The first is improved US–China relations. I was posted in Washington DC in the year 2000 and at the time the new administration was talking about the US and China being a strategic competitor, and I remember that was also at the time when they had the EP3 incident. The relationship was very difficult and tense with lots of suspicion and rivalry at the time. Well, that relationship has somewhat changed and improved now. You see this in the visit of President Bush to China and the visit of President Hu Jintao to the United States recently, and you see this in the change of language that is being used by both sides. Secretary Rice talks about, and I quote, 'The US is welcoming the rise of a confident, peaceful and prosperous China and wants China as a global partner'. President Hu Jintao spoke about, and I quote, 'All around long term constructive and cooperative China–US relations'. He talks about close consultations between China and the US and coordination on major international and regional issues. He talks about China and the United States treating each other as equals and he talks about China and the United States engaging in a new security concept based on mutual trust.

The US *National Security Strategy* paper of 2006 talks about China becoming a global player, talks about China becoming a responsible stakeholder and states that if China develops peacefully the United States would be able to welcome the emergence of a China that is peaceful and prosperous and that cooperates with the United States to address common challenges and mutual interests. It also talks about mutual interests that can guide our cooperation on issues such as terrorism, proliferation, and energy security. All these things are new languages, languages that I did not hear when I was posted in Washington at the embassy there. It does indicate improved relations, but of course it doesn't mean that the relations are problem free. There are still problems on the part of Washington, for example, with regard to human rights, with regard to transparency of China's military activity, currency reforms and other things. But the relationship now and overall is in better shape.

Another positive development is the Six Party talks. Again, it has stalled, we know that it is not going very well, but I think it is quite significant that China is taking the lead in dealing with regional conflict and issues of regional and international concern and also of the fact that China and the United States are working together as part of the Six Party talks.

Another positive development is the growth of the Shanghai Cooperation Organisation. It is now five years old—it just celebrated its five-year anniversary. It is driven by China and Russia. They are talking about cooperation against terrorism, separatism and extremism. The SCO probably needs more concrete programs to give substance to the activities of the organisation but its role is expanding. China is talking about producing a legal document to signify neighbourly relations among the members of SCO and President Putin has suggested a study on regional conflict management mechanisms.

The ASEAN Plus Three and East Asia Summit is also another positive development.

The ASEAN Plus Three and East Asia Summit is also another positive development. We had a successful meeting of the East Asia Summit in Kuala Lumpur last year and it's a plus that the EAS has taken the form that it has taken now that is different from the ASEAN Plus Three. We are pleased to see that Australia, along with New Zealand and India, is part of the East Asia Summit. We hope that it will be a useful organisation to promote constructive regional architecture.

Another positive development is Mongolia: Mongolia is coming out, as they say. There is a democratic transformation in Mongolia and there are growing relations with China, South Korea, Japan and the United States. Mongolia does not have tensions with any of its neighbours. It is a member of the WTO, it is a full member of the ARF, it wants to join APEC, and it is also an observer at the Shanghai Cooperation Organisation. Yes, it's only two and a half million people but Mongolia is quite strategic and it has the land mass larger than the Korean Peninsula and Japan.

Another positive development that will change the landscape of the region is the schemes of economic integration. Geostrategy is defined by the movement of goods, people and ideas, so one of the more significant factors affecting geopolitical relationships will be the economic integrations and the road maps which are now in place. The ASEAN–China free trade will be a reality by 2010, normal track, or 2012 if it includes the sensitive list, if not sooner, the ASEAN–Japan economic scheme hopefully by 2017, that discussion is still going on, the ASEAN–Korea free trade by 2010, and then by that time, of course, the ASEAN FTA will be more mature. But these FTAs together will lock the economies which take part in them. They will eliminate terrorists, open up borders, shorten distances, connect infrastructures, including railways and air links, our citizens will travel more, communities will link up and so will businesses, and there will be greater economic interdependence, and communities also. All this will transform our economic space and will add to a condition of geopolitical maturity for our region.

There is a trend also of proliferation of security and strategic relationships. In my office, we just did a matrix, we lined up countries, about 18 or 20 of them in the region, and we tried to see what kind of security or strategic relationship they have with one another. A lot of the boxes were filled with either security relationships or strategic partnerships. If you produced this matrix ten or twenty years ago you wouldn't have the same amount of boxes. That is a sign that now there are a lot more webs of cooperation, strategic and security

relationships in our region. Indonesia is entering or has entered into strategic partnerships and security relationships.

With Australia, we have already a comprehensive partnership, as well as the security talks that are taking place now, and also have a strategic partnership with China, we have a strategic partnership with India, we have a new partnership for the 21st century with Japan, and so on and so on.

With Australia, we have already a comprehensive partnership, as well as the security talks that are taking place now, and also have a strategic partnership with China, we have a strategic partnership with India, we have a new partnership for the 21st century with Japan, and so on and so on. Australia has quite extensive security or strategic relationships with other countries. China has security and strategic relationships with other countries, including Australia, Cambodia, India, Indonesia, Japan, Malaysia, New Zealand, Pakistan, Vietnam and others.

We also did a matrix of countries around the region who are members of regional organisations, of ASEAN, or those who have signed on to the Treaty of Amity and Cooperation, those who belong to ARF, to APEC, to ASEAN Plus Three, Southwest Pacific dialogue, East Asia Summit, Asia Cooperation Dialogue, SCO, ASEM, KEDO, FEALAC and others. There were a lot of boxes filled with colours. Again, if you looked at this matrix ten or twenty years ago it wouldn't have the same predominant boxes filled with colours.

We find that almost every country in the region faces in one way or another increasing non-traditional threats to their security, either in the form of diseases, natural disasters, terrorism, people trafficking and so on. It is our view that non-traditional threats are fast becoming a new driver of geopolitical relationships, driving the geopolitics of cooperation. One very clear example of that is the tsunami in Indonesia. We would never have thought that there would be a foreign army who would invade our country and take the lives of 200,000 of our citizens and destroy a province, but this is what the tsunami did in just a half hour. The tsunami also led to a series of events which produced the biggest humanitarian operation since World War II. It was a great confidence-building and a great cooperative venture between the militaries in the region.

But, again, it just goes to underline that these days the threats to our security are different and we need ways to respond to them. Of course, a tsunami is only one of them, terrorism is another threat, and I think Australia knows this very well with the Bali bombing and also the bomb in front of the Australian Embassy in Jakarta. There is also the threat of avian flu. If a pandemic ever breaks out in Indonesia or any part of the world our economic calculations, our political stability, all this would be thrown off balance as we would have to deal with a very severe disaster.

But the thing about dealing with non-traditional security threats is that we need to learn a lot on how to deal with them. When we first awoke ourselves to the threat of terrorism there

was a lot of learning to do on how to cooperate. The threat is obvious but learning how to cooperate with other countries was an art on its own. It took some time and it is a process that we had to master. As we deal with non-traditional security threats there will be more drive towards the geopolitics of cooperation.

But, again, it just goes to underline that these days the threats to our security are different and we need ways to respond to them.

Let me just, as a way of concluding thoughts, mention two points. Firstly, as we advance the geopolitics of cooperation there is always an interplay between geopolitics or conflict or competition and the element of cooperation. This interplay between them will always be there. But it is always important to build on the bridges and the geopolitics of cooperation. One example is North and South Korea, the conflict and the tension still persists, but there have been some new developments there in the past few years. They have built the Gaesong industrial complex and since 2004 fifteen companies have operated there and 7,700 workers have worked in these companies, just five kilometres north of the military demarcation line. They have opened the Mount Kumgang tourism project which has brought 1.2 million tourists from South Korea into this tourist destination in the North. In the South China Sea too, they have territorial disputes but in an effort to deal with problems in that area recently China, Vietnam and the Philippines have engaged into cooperative efforts to deal with piracy in that area.

We know of the problems in China and Taiwan, but here there are also more bridges being drawn, direct flights, and there have been 13 million visits from Taiwan to the mainland, 50,000 mainland Chinese have travelled to Taiwan, and oil companies in the mainland in Taiwan have decided recently to explore for oil in offshore areas. There has been a transfer of some manufacturing base to the mainland. China has now surpassed the United States as Taiwan's key trading partner. The total is $61 billion, which is a 30% increase from the previous year. But the point is there is always opportunity in conflict, or out of crisis, and the rule is you never cease from building these links and these bridges as part of the geopolitics of cooperation. You may not immediately resolve the conflicts, but sooner or later you will change the dynamics of how the conflicts will be dealt with.

The second point I want to close with is that we need to change the mindset. I grew up during the Cold War and I am used to thinking of the practice of geopolitics in terms of building walls, creating divisions, drawing lines, forming alliances, or non-alignment—that was the geopolitics of the twentieth century. But in the twenty-first century, we need to change from geopolitics of competition to cooperation and the geopolitics of cooperation is about building bridges not walls, it's about promoting cooperation and not preventing conflicts, it is about accepting differences and overcoming disputes. In some ways, the fight against terrorism, against natural disasters, against infectious diseases, against transnational crimes, all this is forcing us to adapt to this new geopolitics of cooperation.

But this is only at its infant stage. If we continue to nurture this geopolitics of cooperation, then the strategic landscape might change. The rise of China need not go into a collision

course with the United States. The world is big enough for the major powers, so long as they compete for peace. The more they compete for peace, the better it is for everyone else as everyone will benefit in a win–win situation. Regional flashpoints will not only be contained but might also get resolved. Multilateralism will rise to prominence and regionalism will flourish. The notion of community, ASEAN community, East Asia community, or maybe even the Asia–Pacific community, will become a living reality.

Four—Australia's priorities and options

BALANCING AUSTRALIA'S SECURITY INTERESTS

Allan Gyngell

The subject that I've been asked to discuss is balancing Australia's security interests and I should begin by defining what I'm talking about. Security interests, at least in the way I'm using the term, relate to our national capacity to preserve our territory from attack, our institutions and identity from challenge, our citizens and assets from politically motivated physical harm and an international order which enables us to prosper.

Security interests are therefore narrower than national interests, which I know is a problematic term for academics but absolutely essential for policy makers ...

Security interests are therefore narrower than national interests, which I know is a problematic term for academics but absolutely essential for policy makers, but they are broader than strategic interests which relate more specifically to the circumstances in which we might be compelled to use armed force. The idea of balance in the title is also complicated. I'm conscious that in some of what follows I'm sliding rather sneakily between different uses of the word so I've decided to fess up at the beginning. Sometimes I'm describing a relative weighting of different interests, sometimes a trade-off between contending interests, and sometimes I use the word to describe the attainment of

Photo opposite: The Bonaparte Archipelago on the north coast of Western Australia Satellite image from space. © CORBIS/APL

an equilibrium as in a balance of power. At times the balance I'm discussing is not of interests at all but of the instruments we use to pursue them. I hope the differences will become apparent in what follows.

Like all countries, Australia is engaged in a continual process of balancing our security interests. This is because while our interests are almost unbounded, the resources we can deploy to support them, whether financial, technological or human, are always limited. Because our interests exist in an international system which is perpetually in flux, their balance is always changing. The result, if we are to use our national assets most effectively, is that we need to decide where for this country at any particular time the balance best lies.

It is this debate about relative weightings that has always been at the core of the Australian security discourse rather than any deep disagreement about the ways we should seek to protect our interests. On those methods—the centrality of the US alliance, the need to develop close security links in Asia, a general belief that Australia needs to engage in the business of international politics rather than isolating ourselves from it—a broad political consensus has formed, at least between the major parties. That has still left plenty of room, however, for vigorous debate about where the balance should lie between our global and our regional security interests, the contribution we make to the United States alliance versus the requirements of self-reliance, the weight we place on state and non-state actors as a source of threat, and the relative usefulness of multilateral and bilateral instruments to press our interests.

In a globalising world our security interests, or at least their particular manifestations, can change quite quickly, and they've done so over the past fifteen years as three defining events, each of them quite unanticipated by government, have transformed Australia's global and regional strategic landscape.

Where the debate get sharpest, as you might expect, is where it impacts most directly on the allocation of resources, either between the individual services or between the ADF and the other parts of the national security infrastructure, including the intelligence agencies and the federal police. A lot rides on the results of that debate—about $19.6 billion this year in the Defence Department's budget alone. This is, I think, a more interesting debate than the one often postulated between the defence of Australia mavens and the globalist supporters of expeditionary forces. So far as I can see, the further you move from the op-ed pages of newspapers the less real that particular debate becomes. Almost everyone of substance in it, and a number of them are in this room, want some of all of the above. It's the balance which is the question.

In a globalising world our security interests, or at least their particular manifestations, can change quite quickly, and they've done so over the past fifteen years as three defining events, each of them quite unanticipated by government, have transformed Australia's global and

regional strategic landscape. The first, and the most important, of these was the sudden end of the Cold War from the fall of the Berlin Wall in 1989 to the collapse of the Soviet Union two years later. This event, which was equally unexpected by everyone from the politburo of the CPSU to the US administration, ended the bipolar structure which shaped the post-war world. The United States emerged overwhelmingly as the dominant strategic power, uniquely possessing both the capacity and the will to project power globally. But economically it had peer competitors in Japan, Europe, and later in the 1990s an emerging competitor in China.

The end of the Cold War thawed the geostrategic ice in which many regions had been frozen and that brought tragedies in the Balkans, but, more relevantly for Australia, it brought opportunities in Asia. In security terms, the end of the Cold War removed an important element of risk associated with military interventions. That risk was that they might become caught up in a wider global struggle. The result was a huge upturn in the number of overseas military operations, particularly peacekeeping. More than half of all Australian military deployments since the Second World War have taken place since 1990.

The second large unexpected event came just six years later with the 1997 financial crisis in Asia. Because Asia has recovered much more quickly from the crisis than many observers expected, its scale tends to be forgotten and its impact under-appreciated—I thought David Murray made some interesting points about that last night. In 1998, real GDP fell by more than 13% in Indonesia, more than 10% in Thailand, 7% in South Korea and Malaysia. In Indonesia unemployment doubled and inflation grew by 80%. Within a twelve month period the countries of Southeast Asia and Korea saw a $100 billion reversal of capital flows.

Unsurprisingly, this economic crisis had political and strategic consequences and we're still living with their results. Most importantly for Australia, it brought about President Suharto's resignation in May 1998 and the end of the new order regime in Indonesia, which had been such a benign element in Australia's strategic environment for thirty years. From it emerged a democratic, decentralised Indonesia whose form and future is still being worked out. It also set in train the events that just over a year later led to the August 1999 referendum in East Timor, the violence that followed the deployment of Australian forces and the country's eventual independence. The results of these developments too will be a permanent part of Australia's regional security responsibilities. The crisis also marked China's re-emergence as a regional power, which we have heard a lot about, working cooperatively with its neighbours. For reasons I will come back to shortly, it accelerated China's economic rise.

The third and final bolt from the blue came with the terrorist attacks on New York and Washington in September 2001. Intelligence agencies and political leaders had certainly worried before then about Jihardi-salafist terrorism but few had identified it as a central existential threat. In security terms the 9/11 attacks were transformative. They galvanised the United States' involvement with the world, albeit an involvement that was more unilateralist than multilateralist in form. The attacks added a new chilling dimension to the role of non-state actors in the global environment. They made the war on terror the central organising principle of US strategic policy. They led the administration to war in Iraq, the first major geostrategic blunder of the 21st century. After Afghanistan and Somalia showed how terrorism could thrive where governance was weak, they focused attention on fragile states in the world as a source of security threat as well as humanitarian concern.

The attacks had a particular impact on Australia's alliance relations with United States. The Prime Minister's presence in Washington on September 11 and the personal relationship he formed with President Bush facilitated the greatest deepening of US–Australian military engagement since the establishment of ANZUS. This included John Howard's invocation of the ANZUS Treaty, the military commitments in Afghanistan and Iraq, and a general expansion of intimate institutional cooperation between the American and Australian armed forces. At another level it also made possible the successful negotiation of the Australia–US free trade agreement, which has been a further reinforcement of the broader relationship.

When the JI attacks in Bali came just twelve months later, in October 2002, they added an immediate national and regional dimension to these global concerns.

When the JI attacks in Bali came just twelve months later, in October 2002, they added an immediate national and regional dimension to these global concerns. What followed was an intensification of Australia's security involvement with regional countries, especially Indonesia, and particularly in counter-terrorism and policing. The lessons the government drew from the terrorist attacks about the consequences of failing states helped push Australian policy in the direction of a more activist engagement with regional countries. Australian policy makers felt impelled to demonstrate to allies that we could be relied on to tidy up our own region. The Regional Assistance Mission to the Solomon Islands, RAMSI, and the efforts to develop a more hands-on program of security engagement in Papua New Guinea through the Enhanced Cooperation, which, of course, was never fully implemented, followed.

The impact of these three events, the end of the Cold War, the 1997 financial crisis and 9/11, was to shape an early 21st century global security environment that is characterised by strategic unapolarity but economic multipolarity, a shift in the broader global power balance back towards Asia, and a greater role for non-state actors in a security environment that needs to be understood in broader terms than in the past.

How is this world different for Australia? Let me begin with the first two interrelated elements, strategic unapolarity, economic multipolarity and the shift in the power balance back towards Asia. For fifty years after the Second World War Australia enjoyed a remarkably simple and beneficial situation in East Asia. Our major ally, the United States, and the country that soon became our major trading partner, Japan, were themselves allies. Japan had taken the decision, or circumstances had forced the decision upon it, to outsource its strategic defence, and in particular its nuclear defence, to the United States. Japan was therefore able to focus on its economic development with hugely beneficial consequences for Australia and the wider Asian region. The result for Australia was that through that period our economic interests and our security interests were closely aligned. For most of this post-war period China was weak, if troublesome, and consumed by internal problems, while India's post-colonial development model was inward-looking and autarkic.

Globalisation, which lay behind all of the events I have described, changed that, and we heard from Paul Cornish yesterday how from the 1970s onwards a series of transforming

technological developments, the personal computer, the internet, mobile telephony, satellite television, containerisation, all made it easier and much cheaper to transport information and products around the world. The result was a world that was increasingly economically and financially integrated, where information moved more freely and it was much harder to define the borders between the domestic and international. The point about this is that Asia generally, and China in particular, were well placed to take advantage of this new world.

Politically, as the old bipolar structure crumbled with the end of the Cold War, new forms of Asian regionalism became possible. We saw the expansion of ASEAN to include the countries of Indochina; we saw the creation of APEC, bringing together the key transpacific powers; the ASEAN regional forum was launched; we got that whole debate about Asian values being played out. Then after the 1997 financial crisis when regionalism took a more exclusively Asian form we saw the creation of the ASEAN Plus Three and East Asian Summit groupings.

Economically, Asian economies were better able than any other part of the developing world to integrate themselves into the global supply chains that globalisation made possible. Deng Xiaoping's decision to bet the future of the Communist Party of China on a market economy, China's relatively open attitude to foreign direct investment, and the torrent of FDI redirected from other parts of Asia after the financial crisis, all positioned China particularly well to benefit from these changes. It became the end point assembler for an increasingly integrated Asia–Pacific market.

The other billion person plus economy in Asia was also on the move. India's growth came from the early nineties onwards and it followed a very different path. India's competitiveness came from skill-intensive services, a sector which before the cheap fast telecommunications that globalisation delivered we'd never really thought about as tradable. India's growth has been slower than China's, it's now averaging around 8% a year, a level which it has the potential to sustain. With its younger population, again as we heard yesterday, India has substantial long-term demographic advantages over China, although that also brings with it the challenge of generating jobs.

It is also most important not to lose sight of the other major Asian power, Japan, which remains the world's second largest economy, by exchange rate measurements, and since mid-2002 has experienced its longest uninterrupted expansion since the second half of the 1960s.

As we discussed earlier, these developments underline the way economic power is flowing back towards Asia, redressing an imbalance that lasted for about 200 years following the industrial revolution in Europe. Asia's economic growth won't be without problems and reversals but for the purposes of security planning it would be unwise to bet that the secular trend will not continue upwards. Asia's growth gives the growing economies of the region a new range of interests, some of them competitive, and it will generate the resources to enable them to assert and protect those interests. The Asian security environment in which Australia now operates is one, and Chung Min Lee made this point, in which for the first time in the history of European settlement Asia has a number of great power players, Japan, India and China, each seeking to protect its interests and extend its influence. The world's pre-eminent power, the United States, has made clear that it too intends to remain engaged in the region.

China has become, as other speakers have also said, in a very short period of time the paramount regional power, using soft as well as hard power assets to develop effective

influence over its Southeast Asian neighbours. Largely in response to China's re-emergence, Japan has been remaking itself as a more normal country, meaning one that will be less constrained constitutionally or psychologically from security engagement overseas. The policies developed by Japan's Prime Minister Koizumi are being carried on by his successor. India is also asserting itself more effectively in the region, building in part on a transformation of US policy towards India to embrace a strategic partnership—a phase about which there was some valuable discussion earlier. But I think this strategic partnership is one that we should take notice of. Washington describes it as the building of a durable defence relationship that will continue to support our common strategic and security interests.

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We had a fine account of the energy implications of Asia's growth from Dr Noronha yesterday. The simple message from that is that the search for secure energy supplies and the need to protect the distribution channels of that energy already has the countries of the region rubbing up against each other. Two different trends are at work in Asia, one towards greater economic integration and the other towards greater political divergence, or at least greater national assertiveness. You can see that dual tension at play in several different environments, in the cross strait relationship between Taiwan and the mainland, in the frosty political relations, but deeply entwined economic relations, between China and Japan, and in South Korea's attitudes to both its large neighbours.

The checklist of Northeast Asian security problems is familiar: North Korea's nuclear ambitions, the Taiwan Straits, territorial disputes between China and Japan, the possibility of a deterioration in US–China relations over China's long-term strategic ambitions. All these issues from time to time may be managed well or badly, and most of them at the moment, I think, are being managed well, but for the present none of them looks like being resolved as opposed to managed.

Whatever security problems may arise in the conflicting interests of regional powers through to the mid-century, we can be certain that the global strategic environment will continue to be unipolar and dominated by the United States.

The third distinguishing feature of the 21st century security environment that I mentioned is the greater role for non-state actors in a security environment that needs to be understood much more broadly. International relations realists used to take comfort from the fact that while much of the world was changing, at least nation states held a monopoly of force. After 9/11 it was not possible to claim even that. The United States has centred its national defence posture around a long war against violent extremists. The state of Israel has just fought a conventional war against a non-state actor, Hezbollah.

No idea in international relations has changed more fundamentally during the past fifteen years than the concept of security.

No idea in international relations has changed more fundamentally during the past fifteen years than the concept of security. Views on how security should be defined, who is responsible for it and how it should be implemented, have all changed. In different ways the Rwandan genocide, the Srebrenica massacre, the threat of new diseases like SARS and avian influenza, growing evidence of the impact on security of environmental problems like global warming, and terrorist atrocities fuelled by religious extremism, have transformed our understanding of what security means. From the strong state-centred system based on mutual deterrence and firm alliances that successfully kept the peace, or at least prevented global conflict, during the Cold War, the world has entered a much more fluid period. The walls between internal and external security have been breached as effectively as those walls between the domestic and the international economy.

At the operational level, the experience of international peace makers and peacekeepers from the Balkans to East Timor has changed ideas about the function of military forces, their structure and their interaction with police and civilian agencies.

That is the shape of the new world and in many ways it suits Australia very well. We have a deep economic complementarity with an economically rising Asia. We have a close relationship based on strong affinities of language and culture with the United States, which will remain the world's dominant power. We're an old democracy with robust and effective institutions of governance that enable us to compete effectively in a globalising world. As the only nation in the world with a continent to ourselves, our air sea moat is as useful against security threats, like terrorism, disease and crime, as it was against traditional invasive threat. In neither case was it impermeable but our geography certainly assists things like quarantine and border control.

But the balancing of our security interests is likely to become harder. The expansion of Australia's security commitments over the past fifteen years has coincided precisely with the longest period of unbroken economic growth in our history, beginning in the third quarter of 1991 at the very moment that the Cold War was ending. Unless you believe that economic cycles have been vanquished forever you would have to conclude at a minimum that the relatively easy budgetary choices we have faced recently are unlikely to persist for the next fifteen years. At some point it's going to become more difficult for Australian governments to tick 'all of the above' in the budgetary boxes. You don't have to look very far beyond Mark Thomson's valuable work for ASPI on the defence budget to see that.

So what are the balances we will have to consider? First of all, the easy alignment of Australia's security and economic interests which marked the second half of the 20th century will not persist in the first half of this one. As I argued earlier, Asia will have more than one great power contending for influence and assets. For Australia, this will come to a head in the relationship between China and the United States. Now, I am not pessimistic about that relationship but it does remain deeply unresolved. Australia is unlikely to have to choose militarily between Washington and Beijing, which is a point the Prime Minister has made.

But the point for Australian policy makers is not really about such a choice, it's about the range of pressures well short of that, from our key ally and our second largest trading partner, to which we will have to respond, and the political decisions we will have to make, including the direction in which we try to shape the policies of allies and friends.

From the US perspective, the 2006 *Quadrennial Defence Review* is surprisingly candid about China.

From the US perspective, the 2006 *Quadrennial Defence Review* is surprisingly candid about China. Of the major powers it says China has the greatest potential to compete militarily with the United States. Part of the American response to this is to suggest that the United States 'will work to achieve greater integration of defensive systems among its international partners in ways that would complicate any adversary's efforts to decouple them'. But to what extent does this imply an unspoken containment policy of China, a strategy that would be dangerously counterproductive for Australia in the region? I agree with Ashley Tellis's very persuasive account yesterday of Washington's investment and insurance strategies, but as he also said, the key is getting the balance right, and I'm not sure that everyone yet agrees where the balance should be.

I don't think that Australia's own security policy objectives with regard to China are difficult to determine. Our objective is, surely, to see China emerge as a responsible great power into a broader region that is self-confident and self-reliant. It's the getting there that will be difficult. There have been a couple of comments during the day about public opinion. I might just mention that on Monday the Lowy Institute's 2006 opinion survey of Australians and the world will be released. It will show, again, that of all the possible threats named to Australia, the people surveyed felt that China's emergence as a world power ranked lowest. It is very hard to get a good yellow peril scare going in Australia at the moment.

It's not just the balance of our interests with the United States and China that we will need to consider but Japan and India too. Australian policy for many years has been to support Japan's emergence as a normal country—that is, one able to take part in regional and global security cooperation, to offer peacekeeping forces to global trouble spots and conduct joint exercises. We have also had a longstanding view that Japan should be a member of the UN Security Council. But it is certainly not in our security interests to encourage in any way strategic competition between Japan and its neighbours.

This is an area of Australian security where the trade-offs are likely to get harder and our policy seems to me to be insufficiently developed. While I support Foreign Minister Downer's proposal for an umbrella security agreement between Japan and Australia, I am much more sceptical about the decision to raise to ministerial level the meetings of the Japan–US–Australia trilateral security dialogue. I am still more concerned about the idea that Japanese Prime Minister Shinzo Abe has of expanding it to a quadrilateral forum with India. It's a pretty good rule of thumb in international relations that confused and unclear objectives are a poor basis for institution building. That is what I fear about the trilateral security dialogue where both publicly and privately the three participants seem to have different objectives and divergent long-term aims.

We face a similar problem over India's emerging role. It is sometimes suggested that India should be brought more into the affairs of East Asia with the implication that it would provide an important counterweight to China's rise. I am not convinced by this line of argument either. I am certainly in favour of the development of closer, more productive links between India and East Asia and I'm very pleased that it's a member of the East Asian Summit, but India's interests in energy, product markets and broader security are more likely to draw it in a westerly than an easterly direction. It is likely to find itself heavily preoccupied with the states on its borders, Bangladesh, Nepal, Pakistan, Sri Lanka. It has had difficult relations with China in the past that led to military conflict. India has its own interests to pursue with China and its own concept of its role in the world that I think make it an unlikely member of other people's containment strategies.

The direction of US strategic policy is likely to change again as the American people absorb the lessons of Iraq, Afghanistan and Iran.

A longstanding element in Australian security policy has been its efforts to support a continuing United States presence in Asia. The direction of US strategic policy is likely to change again as the American people absorb the lessons of Iraq, Afghanistan and Iran. It's too soon to tell whether their response will be a relative withdrawal from the sort of direct engagement with the world we've seen over the past five years or a reversion to a more traditional alliance building diplomacy, or least likely, except in the event of another major terrorist attack, a continuation of the Bush doctrine's ambitious globalist aims. But helping to ensure that what comes next involves continuing creative engagement in Asia will be an important emerging aim for Australian policy.

When we come to Australia's immediate neighbourhood, Melanesia, we're talking about a different sort of balance. Here it's the balance of instruments we use to address our security interests that will matter most. Australian policy towards the South Pacific tends to go through cycles. We look at the region, we think that this is an awful mess, the only thing we can do about it is roll up our sleeves and get in there and sort things out. We roll up our sleeves, get in there and find that we haven't sorted things out and that then leads to a feeling that maybe the only thing you can do is leave the people alone to sort out their own problems. Now, we've been through half a decade of interventionism and we now seem to be cycling out again as the difficulties of the operations in the Solomon Islands and East Timor become clearer. But this is always going to be a matter of degree because given the real security interests we have in the Pacific we can have no exit strategy from Melanesia.

These interests include the consequences of crumbling social infrastructure, corruption, crime, people movement and disease. HIV AIDS rates in Papua New Guinea are growing at African rates and by 2010 10% of the population could be affected. Security issues like these are not best addressed by traditional military forces. They require a very different mix of policing and development skills and very large resources. Australia is already spending about $700 million annually in Melanesia on development assistance alone. We spent $130 million from the military budget alone on our intervention in the Solomon Islands. There are questions of how we use what I said at the beginning are limited resources. Australia has

placed a lot of rhetorical emphasis on the need for whole-of-government responses to these problems, and I think it's done a pretty good job, but I don't think we've yet properly begun the task of allocating resources most efficiently to achieve our aims.

I want to mention one particular area of Melanesia that we need to address with greater attention and that is the Indonesian province of Papua. This seems likely to be one of the most difficult security issues for Australia and Indonesia over the coming years. For Australia it involves that whole range of new security interests that affect us elsewhere in Melanesia—people movement, refugees, disease, crime—as well as the most traditional questions of nationalism and state sovereignty. It has the potential, like East Timor, to disrupt and derail the rest of the bilateral relationship with Indonesia, partly because it engages immediate suspicions there over Australian intentions. Because any large-scale unrest in Papua could spill over to Papua New Guinea, with which Australia has security links and a treaty commitment to consult in the event of armed attack, it also potentially involves a third state.

On the balance between state and non-state actors, the developments in Asian power structures I discussed earlier will be a constant reminder to us of why states still matter. Non-state actors will continue to threaten us but after Iraq the relative roles of the military and intelligence forces in that struggle are likely to change. As the Prime Minister said yesterday, most of the struggle against terrorism will be borne by intelligence and prevention.

My final point is that in the great spectrum of our security interests, ranging from the global through the regional to the domestic, one unexpected and difficult theme that keeps recurring in this first decade of the 21st century is nation building. From the problems we've encountered in Iraq and Afghanistan through the dilemmas we face in the region in helping to rebuild East Timor, PNG and the Solomon Islands, to our domestic problems, where, as the Prime Minister said yesterday, social cohesion is a great national challenge, we are all in the nation building business now. It's a reminder to us all that the security debate is getting wider and more complex and that the participants in it need to be much more diverse too.

PERSPECTIVES ON AUSTRALIA'S STRATEGIC ROLE

From the Pacific—A New Zealand perspective on Australia's strategic role

Colin James

My brief is to give *a* New Zealand perspective on Australia's strategic role[1] so what I will say is *my* perspective not *the* New Zealand perspective, in the sense either of an interpretation of the official government perspective or of the country's collective perspective—though, of course, my perspective is very much informed and coloured by both.

Let me first set a context of some simple facts of life about New Zealand and its connection with Australia.[2]

First, New Zealand is a fraction of Australia's size in landmass and population. The relationship is inescapably asymmetric. This generates misperceptions, which colour all aspects of the relationship, including the strategic relationship.

Second, New Zealand is profoundly different from Australia—in geology, climate, flora and fauna and its indigenous people. Those differences have shaped the way New Zealanders think. Australians and New Zealanders are foreigners.

Third, New Zealand is profoundly the same as Australia—in British colonisation and an Anglo-Celtic majority, the common law, Westminster politics and a rich European and British cultural heritage. Australians and New Zealanders are family.

Fourth, Australia is strategically critical to New Zealand in *economic* terms and New Zealanders and New Zealand policy makers see the relationship predominantly through an economic lens. Now and for some time ahead New Zealand is and will be one of the less-well-off states of the now highly integrated Australasian economy. So New Zealanders at all skill (and non-skill) levels migrate westward at the rate of about 33,000 a year in search of higher incomes and more opportunities.

Fifth, New Zealand is *Pacific*. It is Pacific by an unalterable fact of geography, the march of demography and cultural evolution as it defines itself as a now fully independent nation in mentality as well as *de jure*. Australia looks *on* the Pacific. New Zealand looks on the world *from* the Pacific.

Given these commonalities and differences, it should be unsurprising that the strategic outlooks are closely aligned in some respects and in other respects very different.

Given these commonalities and differences, it should be unsurprising that the strategic outlooks are closely aligned in some respects and in other respects very different. This duality has at times confused perceptions and expectations of each other on both sides of the Tasman.

Hugh White was the first Australian, to my knowledge, to grasp fully that duality and to argue, in 2001, for an approach based on making the most of the commonalities,[3] though before him John Howard had, I think, reached the same conclusion, especially after New Zealand's indispensable contribution in East Timor. Now more people in Canberra follow Hugh White's path and even discover some potential lessons. I particularly note a series of recent papers by Robert Ayson,[4] a New Zealander who is now a senior fellow at Australian National University. And the tone of the security relationship is increasingly one of pragmatic cooperation, reinforced in the Status of Forces Agreement of 27 May 2005.[5]

The differences became acutely uncomfortable two decades ago when New Zealand extended its environmentalist-based anti-nuclear policy to ban nuclear-powered and nuclear-armed ships and aircraft. But in fact New Zealand had marked out different positions many times before then, in part because while in its long chrysalis of empire it viewed the world through a London lens: New Zealand donated a battleship to the Royal Navy a century ago while Australia founded its own navy; New Zealand kept most of its troops in North Africa and Italy in the Second World War when Australia concentrated on fighting the Japanese; New Zealand saw ANZUS and SEATO as second best to NATO; New Zealand joined the United States in Vietnam in the 1960s only with great reluctance; all before its anti-nuclear policy first pursued in 1972–75 and rigidified in 1985–86 ruptured its security relationship with the United States. Moreover, particularly under Labour governments, New Zealand has since the 1930s, when it broke with Britain over Ethiopia, given more credence to notions of collective security and multilateral mandates. This contrasts with Australia's tighter and more assertive focus on its national interests, pursued in part through its United States alliance.

It is inconceivable Australia would risk rupture with the United States as New Zealand did. It was inconceivable that New Zealand could have joined the Iraq invasion without severe political ructions.

Nor are New Zealand's differences the work of minority leftists and pacifists. They are broadly supported. When in July 2005 the conservative National party leader, Don Brash, was trapped into hinting that he might repeal just the part of the anti-nuclear law banning nuclear-powered vessels, that allowed Helen Clark's ruling Labour party to get itself off the opinion poll ropes and back into the election race, which it eventually won—and that was in part because the anti-nuclear policy is not just strategic but reflects also an environmentalist dimension.[6] Moreover it was the National party administrations of the 1990s which allowed defence spending to slide by about a third in share-of-GDP terms which limited the trans-Tasman 'closer defence relationship' agreement (CDR) designed to step around the anti-nuclear fallout. One the commonest complaints in Canberra through that decade was that New Zealand was freeloading on Australia. It has been Helen Clark's Labour administrations since 1999, which, though initially deepening the despair in Washington and Canberra by disestablishing the fighter wing in 2000 and freezing at two the number of frigates, have set in train an extensive re-equipment of the army and of naval and air force logistical support capacity and in 2005 committed to a ten-year programme of modest year-by-year real spending increases that should lift army numbers to two full battalions.

There are differences between the two main parties. But they are narrower now than at any time since the Vietnam war. The National party might spend more, though don't bet on it. It might buy some fighter planes but that is very unlikely if it comes at the cost of spending on the army. It reposes less faith in the United Nations than Labour and more willingness

to join military operations without a United Nations mandate; but it is most unlikely to reactivate the United States alliance if that requires a change in the nuclear policy. Most of the rest of the difference is rhetorical.

By contrast, from a New Zealand perspective, Australia's bipartisanship is ANZUS-based and committed to high-technology interoperability with the United States and a significant military presence in the region (though I do note Kevin Rudd's reported comment last week that Australia is taking the United States lead too often on foreign policy decisions and that 'at some stage during the last decade Australia's longstanding tradition of innovative, independent diplomacy appears to have been snap-frozen'[7]—most New Zealanders, from their vantage point of an 'independent' foreign policy, would agree).

New Zealand is not *allied* with the United States but, broadly speaking and with the proviso of independence of action, it is *aligned* with the United States ...

Sum up those differences and you conclude New Zealand and Australia, as I said earlier, are foreigners.

But look on the other side of this coin.

New Zealand is not *allied* with the United States but, broadly speaking and with the proviso of independence of action, it is *aligned* with the United States: in broad democratic values and practices; in Anglo-Celtic origins; and in the Enlightenment inheritance. Helen Clark was quick after September 11 2001 to offer fighting, then reconstruction, troops for Afghanistan. She contributed to Operation Enduring Freedom in the Gulf and joined the United States-led Proliferation Security Initiative. As soon as there was a United Nations mandate for the Iraq occupation, Clark committed reconstruction troops. Clark's New Zealand is Pacific but it is not pacifist.

New Zealand has for more than half a century been among the most active peacemaking and peacekeeping nations. New Zealand initiated the Bougainville settlement. It is alongside Australia in East Timor and the Solomons and will be in future in hotspots in the region—and Australian generals seem to be genuine in their praise of New Zealand troops' professionalism. The two armies mesh well and in some respects New Zealanders' different approach is a useful complementarity. There is now a pragmatic cooperation and recognition of each others' different value.

And New Zealand *is allied* to Australia. There is no question that if Australia was attacked, New Zealand would treat that as an attack on itself and respond accordingly. Ministers recite that as a mantra (though expect never to be called upon).

So New Zealand and Australia, as I said earlier, are family.

But embedded in that automatic commitment to help Australia defend itself from attack is a profound difference of vantage point and preoccupation. Safe and distant New Zealand's 'nightmare', to quote Hugh White again, is of *economic* insecurity; economically confident Australia's nightmare is of a threat to its territorial integrity and (perhaps more relevantly

since the Defence Update 2005 declared a military attack remote for the foreseeable future) to its national interests—and, I note from John Howard's speech yesterday, 'way of life'—with a heightened worry about terrorist attacks at home and abroad and about refugees.[8] Those different nightmares yield different perspectives.

For New Zealand the absence of threat takes two forms.

One is the absence of credible external threat to New Zealand's territorial integrity—a 'distance of tyranny' (*pace* Geoffrey Blainey), a distance that also applies to worries about refugees, too. This in part determines the electorate's and governments' parsimony in military spending and makes it unlikely any government could win an electoral mandate to spend commensurately with Australia.[9] And if a real threat of some sort were to materialise, New Zealanders are too few anyway to counter it. Hence New Zealand looks to multilateral options: being a good international citizen, playing by the rules of international law and preferring multilateral mandates.[10]

The second absence of threat is by New Zealand to anyone else. New Zealand is too distant, small and insubstantial. That lends logic to the recent focus on the army, as a well-equipped, well-trained, readily deployable force, well supported logistically by air and sea, able quickly to join in a coalition with others to make the peace on the ground and to keep the peace on the ground once made.[11] High-technology fighters and warships don't fit that frame, especially if there are so few of them they have to operate within others' forces—and even more especially if they consume money that could build the army. Besides, Helen Clark argues, fighters and frigates are not much use against suicide bombers. And she has always rejected the argument that high-technology air and naval capacity generates more goodwill with Asia (not to mention the United States and Australia) when it comes to winning trade and other concessions (though a different administration might take a different view on this.)

Seen from this modest perspective, Australia projects a sense of itself as 'big', a middle power ... and the only force capable of keeping order in the South Pacific.

Seen from this modest perspective, Australia projects a sense of itself as 'big', a middle power capable of playing and intending to play a role outside its borders, including in any Asian conflict, and the only force capable of keeping order in the South Pacific. New Zealand is harmless and Australia is not. Australia, especially given its 'deputy sheriff' alliance with the United States, can fashion (benign) threat—though whether it can keep up the necessary investment is a matter of speculation in Wellington as much as Canberra. Moreover, unlike New Zealand, Australia can credibly defend itself, both because of its investment in that capability and given its United States alliance.

It is at this point that, from a New Zealand perspective, the two countries' differences transmute into useful complementarity. Non-threatening New Zealand sees itself as having an easier relationship with southeast and east Asian countries than Australia: soft cop to Australia's hard cop, New Zealand's multilateralism offsetting Australia's tighter focus on its national interests. New Zealand was able without hesitation to sign ASEAN's Treaty of Amity and Cooperation as a precursor to an invitation to join the East Asia Summit, whereas

Australia had to think long and hard about it. Both countries are navigating some tricky shoals in balancing their economic and security interests in China and the United States. Having been the first country with a developed economy to open free trade negotiations with China[12] New Zealand is being drawn into the Chinese sphere of influence and will over time face some interesting challenges offsetting that with closer relations with India and continued relations with the United States. There is in some quarters a nervousness that Australia's stance could, if things go wrong, complicate New Zealand's balancing act.

It bears noting in passing that New Zealand's relations with the United States, including military relations, have improved significantly in the past year. There is a realistic prospect that United States' ban on joint exercises and training, which has been waived to allow training of New Zealand SAS troops en route to Afghanistan and on two more recent occasions, will be lifted. Deputy Secretary of State Christopher Hill, after visiting New Zealand in March to discuss New Zealand's initiatives in the Pacific, has since talked firmly of focusing on common interests, including security interests (the two have long worked together on trade and research) instead of the divisive nuclear issue. Republican presidential hopeful Senator John McCain, among others, has pushed for a free trade agreement and there are hints that such negotiations may reach the agenda. This change of attitude may be due both to the United States' need to reach out to more than the Iraq invasion coalition as things have gone bad there and also to recognition of New Zealand's role in Afghanistan, Timor and, particularly, in the Pacific.

Which brings me to New Zealand's Pacific dimension. New Zealand was originally settled from the Polynesian Pacific and since the 1960s large numbers more have come to the join the indigenous Maori. It is nearly one-quarter Polynesian in its population makeup and more in its armed forces, with a Maori Chief of Defence Staff. Maori have recognised constitutional and cultural status and the mainstream language and custom is increasingly influenced by Maori, and to some extent Pacific, language and custom.[13] When the army goes to the Pacific, locals see Pacific people and whites working easily together and those whites have some understanding of Pacific ways. Again, an absence of threat.

It also engenders superior feelings in New Zealand about Australia in the Pacific: a 'we know and you don't' attitude, reinforced by the success of the Bougainville intervention. This is at most only partly true and generally much less true of Melanesia which, Fiji apart, has only relatively recently gained high profile in New Zealand. New Zealand also knows, however, that when things go bad in the South Pacific, only Australia has the muscle and the numbers to intervene effectively (note Ross Terrill's comment at this conference last year[14]). In such events Pacific New Zealand can in a sense be the interpreter.

And, as New Zealand would see it, Australia needs an interpreter. From a New Zealand perspective, Australia sees the Pacific as potential or actual failed states, a potential source of terror and/or transnational crime and/or drug trafficking and/or pandemics (not to mention a corrosive China–Taiwan rivalry) and accordingly fashions an Iraq-style fixit response which a New Zealand analysis would say is bound to fail because it fails to see the island societies, economies and governments in their totality. New Zealanders, perhaps unjustly, would urge a more subtle analysis. Periodic military and policing interventions won't address the lack of jobs for the exploding populations in Melanesia, which pose a complex strategic economic, social and political challenge for Australia and New Zealand, not just the islands themselves. Pacific labour mobility is just one of a number of interrelated issues.

Nevertheless, make no mistake, whatever the past rivalry—not least over the appointment of Greg Irwin as Pacific Forum Secretary-General in 2003—Pacific New Zealand wants Australia and its muscle in the Pacific and Australia's recent decision to add two battalions to the army to improve its on-the-ground capability in the region is seen as welcome realism.[15]

Which leaves the gritty subject of terrorism. From their safe little cave at the bottom of the world, New Zealanders are essentially spectators of terror—again an absence of a sense of threat. Nevertheless, ministers are, as Defence Minister Phil Goff has said, aware that 'New Zealand is not immune to the security challenges ... such as terrorism, weapons of mass destruction and the illegal movement of people, drugs and weapons'.[16] So essentially New Zealand's policy responses have been to fit in with the requests from the United States, Australia and international authorities in 'whole-of-government' responses involving police, customs and intelligence sharing. Whether this amounts to a perspective on Australia's strategic role depends on whether combating terrorism is strategic or a case-by-case policing action. Given that it is principally Islamist terrorism that has generated the 'war on terror', that depends in part on a view of Islam and the link between Islamic teaching and violence, which is much more discussed (viz, over the Pope's entirely justified remarks) in Australia than in New Zealand. It might take a Bali-type attack on New Zealanders abroad or a home-grown outrage to jolt New Zealanders into full empathy with Australians on terror.

I will pass over the wider dimensions of water, energy and climate change as strategic issues. Water, I think, is a bigger international issue (and economic threat) than either country yet recognises, energy is going to get very big (but both countries are energy-rich, at least potentially) and New Zealand bothers more about climate change than Australia.

So what sums up a New Zealand perspective on Australia's strategic role? Essentially a pragmatic ambivalence: Australia is big, even a bit grandiose and inclined to insensitivity; Australia marches alongside the United States in a way New Zealand never has; Australia reaches for the hardware when New Zealand would look for other options, at least as an adjunct; but New Zealand is (*sotto voce*) mighty glad Australia is there and has the United States in tow; and New Zealand is keen to keep pragmatic cooperation going.

New Zealanders would probably endorse Robert Ayson's comment that the two countries have 'different but by no means incompatible outlooks'.[17] And, from a New Zealand perspective, Australians seem by and large to have come tacitly to endorse that, too.

Endnotes

1 I shall take as my guide a modified version of Allan Behm's five-item formulation (see citation under note 3 below, p104)—direct defence of Australia and its interests, protecting regional defence interests, maintaining the alliance with the United States, maintaining effective regional defence relationships, particularly with New Zealand and retaining a capacity to contribute to broader international security efforts, especially in cooperation with the United Nations—to which I add, actively participate in the war on terror.

2 I have explored the trans-Tasman relationship since 1990 in 'Three-step with Matilda: trans-Tasman relations, 1990–2005', in ed Alley, Roderic, *New Zealand in the World 1990–2005* (Victoria University Press, Wellington, forthcoming) and the future relationship in 'Foreign and Family: the Australian Connection—Sensible Sovereignty or Niggling Nationalism' in ed Lynch, Brian, *New Zealand and the World: the Major Foreign*

Policy Issues, 2005–2010 (New Zealand Institute of International Affairs, Wellington 2006), pp29–37. The notes to the first of those chapters point to other source materials.

3 White, Hugh, 'Living without illusions: where our defence relationship goes from here', in Catley, Bob, *Moving Together or Drifting Apart*—papers from the 36th Otago Foreign Policy School (Dark Horse Publishing Ltd, Wellington, 2002), pp129–38. See also three chapters from ed Grimes, Arthur, Lydia Wevers and Ginny Sullivan, *States of Mind: Australia and New Zealand 1901–2001* (Institute of Policy Studies, Wellington, 2002): Behm, Allan, 'Defence and Security Across the Tasman', pp95–108; O'Brien, Terence, 'Open Minds and Other States', pp109–115; and Beath, Lance, 'Imagination, Ambition Vision and Realism: Moving Forward in the Defence Relationship with Australia', pp116–127

4 Ayson, Robert, 'New Zealand, the United States and the Changing Balance in Asia', Trilateral Dialogue, Germany, Australia and New Zealand, Lowy Institute, Sydney, 17 February, 2006; 'Australia's Defence Dilemmas', Australian National University Blake Dawson Waldron Lecture 23 May 2006, published as 'Understanding Australia's Defence Dilemmas, in *Security Challenges*, vol 2 No 2, July 2006, pp25–42; 'Converging Without a Trilateral ANZUS? Australia, New Zealand the US and the Regional Balance in Asia', 2006 Fulbright Symposium, Maritime Governance and Security: Australian and American Perspectives, 28–29 June 2006; 'The Australia–New Zealand Connection' draft chapter for ed Taylor, Brendan, *Friendships in Flux? Australia as an Asia–Pacific Power* (Routledge, London, forthcoming).

5 http://www.dfat.gov.au/geo/new_zealand/nz_country_brief.html, accessed 24 September 2006

6 In 1992 the conservative National party administration of Jim Bolger backed away from repealing the nuclear propulsion provisions even though it had a huge parliamentary majority and a scientific report that minimised the possible environmental danger from such warships.

7 'We're following US lead: Rudd', *The Australian*, 20 September 2006

8 'Same bed, different nightmares' was White's lapidary answer to a question after delivering the above paper at the conference.

9 If Australia can pay to staff six battalions from a population 20 million and also run a significant high-technology air force and navy, New Zealand, were it spending pro rata, logically could fund at least two battalions from 4 million, if it is to settle for only a medium-technology support air force and navy. As it is, New Zealand draws heavily on reserves to staff its peacekeeping rotations and has very little, if anything, available for a new Solomons or new Timor.

10 New Zealand joined K-force in the early 1950s. Quite apart from any realistic assessment of the potential for success in Iraq, Clark was not prepared to join an invasion which had signally failed to get United Nations support but did send reconstruction troops when the United Nations did mandate that. Clark has, however, been prepared to join NATO-led operations, as in Afghanistan.

11 Beath, Lance, (op cit, 'Imagination, ambition, vision and realism', p126): 'The critical issue is ... the effectiveness with which we can combine national components into a coalition force.'

12 This was in recognition of two other 'firsts', New Zealand having been the first country to sign a bilateral agreement on China's admission to the World Trade Organisation and the first to recognise China's market economy, and more generally in recognition of New Zealand's independent foreign policy, which the Chinese Ambassador, Chen Ming Ming, praised at a conference in Wellington on 26 November 2003, organised to promote New Zealand opinion-leaders' interest in Asia. Ambassador Chen noted that 'New Zealand had been able to approach sensitive issues in the region with discretion and respect. It was not intrusive. Asian countries admired New Zealand's willingness to speak out on critical and sometimes sensitive issues, knowing this might impose a cost on its interests in other fields.' (*Unleashing the Energy of New Zealand's Asian Links*, final report of the Seriously Asia conference, Asia 200 Foundation, May 2004, p20)

13 For a more detailed description of this see Colin James, 'The Pacific-ation of New Zealand', speech to the Sydney Institute, 3 February 2005 (http://www.colinjames.co.nz/speeches_briefings/Sydney_Inst_05Feb03.htm) published in ed Henderson, Anne, *Sydney Papers*, vol 17 issue 1 (Summer 2005), pp138–145, and other speeches and writings on www.colinjames.co.nz.

14 Terrill, Ross, 'Taking the long view: China's emerging great power role in the Asia–Pacific region', Global Forces 2005, proceedings of the ASPI conference, day 2—strategic change (Australian Strategic Policy Institute, Canberra, 2006), p33: 'One speculates that twenty years hence Australia and China could be the two powers in the shadows as a tug of war goes on in the internal and external policies of certain weak South Pacific states.'

15 Ayson (op cit, 'The Australia–New Zealand connection') argues that 'the difficult challenges of encouraging stability in a number of Melanesian states have concentrated minds in both Canberra and Wellington and helped energise the bilateral security relationship between them. To this extent at least, bad news in the immediate neighbourhood has been good news for Australia–New Zealand security relations.'

16 Goff, Hon Phil, 'Transformation of a small defence force', address at the National Defence University, Washington DC, 21 April 2006, p1.

17 Ayson (op cit, 'The Australia–New Zealand connection')

Dato' Dr Zakaria Ahmad

I must qualify my thoughts today as primarily that of a Southeast Asianist and whose intellectual training and approach correspond to that of a neo-realist, perhaps even neo-Clausewitzian viewpoint, unfashionable as it may seem in these interesting times. In these interesting times of the 21st century, while force remains a weapon, and especially so under the guise of a pre-emptive military option of first choice in the global context of unilateralism, wise students of strategic studies comprehend very well the pitfalls of the use of force and the need to understand the range of complexities, referred to not so long ago by that eminent military historian Michael Howard as 'the forgotten dimensions of strategy'. We need to remind ourselves of the apparent quagmire the unilateral use of force has wrought in Afghanistan and Iraq. That, too, in spite of the unsurpassed and unparalleled utilisation of technology and its corresponding lethality, thus far demonstrated vividly in the Middle East.

The limits on the use of force in strategy may therefore be a first primer Australia needs to consider in its pursuit of its political interests. A lucky country, if not a continent, by any reckoning, the country down under may well want to think that its interests are best served to use force only as a last resort and to use the many other ample resources and assets in the furtherance of its objectives.

In the past two days, reference has been made to many facets of security and strategy, factors that are worthy of debate in our deliberations about Australia's strategic rule. It has been said that by an accident of geography Australia is not in NATO. But we were reminded by the Prime Minister's remarks yesterday that Australia has very much served western strategic interests in the past. I come from a country in which a previous Prime Minister had alluded to Australia being a 'deputy sheriff' in relation to the United States. This is a poignant remark which strikes a chord in Australia as Australia begins to want to play a significant role in the Asia–Pacific region.

This leads me to raise four issue areas. Number one, the notion that Australia is not 'Asian enough' for it to engage in the region seems flawed when that disqualification accrues more disadvantages than benefits. It is too easily forgotten that Australia has been, and continues to be, an invaluable source and venue of training in the educational, vocational and military sectors in Asia. In this context, looking at Malaysia's experience as a beneficiary, more than 100,000 Malaysians in the past several decades have obtained their education in Australian tertiary institutions, an impressive and indelible record. Thank God, or thank Allah, however, that this impressive record has not meant that Australian-trained Malaysians speak Australian English. Nonetheless, it seems to me that whether Australia is 'Asian enough' remains problematic even as Australia quickly grows more diverse and away from its Anglo-Saxon roots.

The second issue relates to the regional role that Australia can play, essentially not one only of engagement but also as a 'thought leader'. A lot can be achieved if a more autonomous posture could be projected in the pursuit of diplomatic, political and military programs. One might argue that the lesser the perception that Australia is a proxy power for other greater interests or superpower interests, the more that it can contribute greatly to enhancing its role in Asia.

A lot is achievable if a less patronising demeanour could not only be discerned but actually recognised by Australia's Asia–Pacific neighbours. There seems to be a lot of knowledge being taught about Asia in Australia but how that gets translated in meaningful relationships to me remains a grey area. Also, there is the need, in my view, for Canberra's policy makers to reflect on their role in Asia.

It may be argued that Australia's strategic engagement may well need to be based on ideational criteria. This is a difficult area which needs to be raised, perhaps at a 2007 Global Forces meeting. Let me tease out several possibilities.

Firstly, perhaps, Australia as a liberal democracy. Here we may ask if an Asian variant is contradictory to the Aussie model and how that may be overcome in terms of the translation of that model in Asia. Second, Australia as a trading country with a liberal but fair economy. This is an idea which seems to be contradictory to the Asian growth factor which has been basically based on dirigisme, and perhaps the Australian model of economic prosperity may present possibilities for emulation in Asia. Third, a secular system of governance not necessarily discordant with religious characteristics. Clearly this has to do with societies caught in Islamic revivalism, but perhaps Australia has learned to live with its Islamic citizens and perhaps this may be a question to ponder that Australia may want to think in terms of its diversity which can be a model for Asia. Finally, the fourth area, I think, is whether an Australian approach to the problems of a global economy and the ICT revolution that can serve as a model for developing Asian societies. This again, I think, is something that has not been well explored here or even understood in Asia.

It may well be that Australia is a regional power or actor and that as a constructive power may well deserve the larger objective or role of keeping the 'barbarians away from the gates' ...

It may well be that Australia is a regional power or actor and that as a constructive power may well deserve the larger objective or role of keeping the 'barbarians away from the gates'—barbarians not only refer to those who execute drug traffickers but, perhaps more importantly, I refer to those threats which have become part of the non-traditional security paradigm. That may also include aggressors who commit military aggression, although that remains a remote possibility.

Australia is clearly an oceanic power. But, as an Asian Pacific power, it underlies a status that I think carries many risks. Is it in Australia's interests to be caught in a balance or contest of power as the region is transformed with the rise of China and India or even that of lesser powers? This calls for a grand strategy with clear-cut objectives. Australia, however, is not an imperial power, even if its capacity matches that of any middle power or middle power aspirant. In Southeast Asia, an Australian role can be benign but this view is probably not unanimously shared in the region. Certainly, thus far in Southeast Asia, Australia's role in my mind has been salutary and welcome: as an interloper perhaps in the five-power defence arrangements (FPDA); as a possible deterrent force against potential Indonesian aggression; as an asset in military professionalism and structural transformation; in the defence of

sovereignty in regional conflict and in assisting in anti-communist insurgency efforts as in the past. In the war on terror, also, Australia plays a role here.

Both in military and non-military sectors Australia has a role that can be matched by its capacity and its ingenuity—in business practices, technological innovation, intellectual property sharing, et cetera. It seems to me that we can ask of Australia's role in terms of desiderata. What does Australia want to be in Asia? In asking this, one can also raise the issue in reverse: what do Asians want out of Australia or from Australia? Is Australia on the rise or is it something best left down under? We are afraid of the rise of China, or India or ASEAN but certainly not the rise of Australia. I don't mean here of Australia as an old society that has arrived and is therefore forgotten, but perhaps of its emergent role from what had not existed before.

Asians often forget that Australia is a large country. Its land size is equal to the continent of the United States. It has sinews in resources, both natural and human; it has capabilities and it is a country that we can call a 'can do' country or a 'can do' power. The image of Australia, however, is that it is a distant land, with its people enjoying a quality of life, excelling in sports, drinking lots of beer. Perhaps Australians should stay at home and not venture forward. But to think constructively, I think Australia in Asia can be a middle power with robust military capabilities which can play a security role in Asia, not as an interventionist power but perhaps using its strength and wisdom as a middle-man of sorts. It may need to shed its European lineage to gain respectability and credibility in Asia or it can promote peace in cooperation with other powers, and in this context perhaps Australia can work together with Japan and Singapore.

Why these two countries? I think these two countries are quite similar to Australia in many ways, in terms of capacity and approach and for the fact that they do want to have peace evolving in the region. Japan is an Asian power with western clothing; Singapore is a western power in Asian clothing. Australia, perhaps, I don't know, they're quite mixed up, but they still remain a western power in western clothing but happen to be sited in Asia. These three powers, in my mind, can play some kind of constructive role in the region if we can think forward in those terms.

But having said that, I think there is another element that Australia has played a role in the past and which can continue in the present. This is a question of Australia's role in Southeast Asia, and perhaps not only in ASEAN but also in the East Asian Summit (EAS). Australia should continue in this effort. However, Australian policy makers should be reminded that they should not expect any substantive results for a very long time. But, on the other hand, Australia can and has contributed a lot to the stability and political change of Southeast Asia. This is something, again, that Australia can play a role, in my mind, much nearer to its borders than moving itself far forward into Asia. Finally, I think we can think of Australia playing a role in terms of region building in a diverse Asia and engage with deterrence its strategic centrality.

I want to end on a final comment, perhaps an observation that will cap this presentation. The problematic of Australia's strategy is to discover an abiding sense of its core interests as a regional actor in a rapidly-changing and globalising world, one in which it may assume will require an intersect of its regional and global concerns. I have trouble trying to understand this abiding sense of its destiny. Can Australia through its wisdom and experience discover where its true interests lie as it tries to remain both a western power but resident in the Asia–Pacific region?

PANEL DISCUSSION: WHAT DOES ALL THIS MEAN FOR AUSTRALIA?

Owen Harries

I'm going to restrict myself to two quite modest questions: first, the future of American foreign policy and, second, the future of Australian foreign policy.

... the question I think that we're faced with ... is will there be a significant change, a discontinuity, in the American foreign policy in the post-Iraq, post-Afghanistan period ...

As far as America's foreign policy is concerned, the question I think that we're faced with, and faced with sooner rather than later, is will there be a significant change, a discontinuity, in the American foreign policy in the post-Iraq, post-Afghanistan period and post the Bush presidency or does the behaviour of the last five years represent a deeper feature of American view and attitude towards the world with more durability? Our two American speakers, Drs Tellis and Gordon, both indicated that they anticipate change in the next few years and I think there are some good and plausible reasons for believing that there will be change, that the current policy of the Bush doctrine has essentially been the product of the trauma of 9/11 and that as the memory of that wears off the urge to act in the way that the American Government has acted in the last three years will diminish.

It also, I think, is given plausibility by the fact that surely after the failures of Iraq and Afghanistan there will be a reassessment of policy that will lead to change, that this, to use a phrase that was used of the British after Suez, 'This has been no end of a lesson' for the United States and it will adapt accordingly. These are powerful considerations but it seems to me that there are also powerful considerations on the other side arguing for more continuity, and these arguments are both structural and cultural. Structurally, whatever happens in Iraq, whatever happens in Afghanistan, whoever is president, the United States will continue to be the hegemonic power for decades, and hegemony traditionally, and as understood in both theory and practice, are never going to be modest countries—they expect to be, and they insist on being, dominant and one setback or miscalculation is unlikely to change all that.

Culturally, there is also the fact of American exceptionalism, something that would be underestimated only at great peril. This is the deep set conviction, going back to the country's origin, that it has a mission, a destiny—perhaps a divinely ordained destiny—to remake the world in its own image. I think it would be very foolish and dangerous to underestimate this element in America's makeup and it is an element that means that there will be an element of continuity, that the Bush doctrine represents something deep in the American psyche and makeup. Possibly then, the lesson drawn from Iraq will not be, 'No more of this', but 'Do it right next time'.

There are arguments for and against but it seems to me there are also some serious unknowns. The first unknown is whether there will be another serious terrorist attack

on the American mainland which would change the whole position and the whole set of calculations. Secondly, we don't know who will be the next president and the character of the president, as the Bush Administration has shown, as the Reagan Administration showed before it, can be a decisive factor in determining the way the country behaves.

We have heard the name of McCain mentioned over the last day. I happened to spend an hour interviewing McCain back in 1996 during the then presidential election and I found him an intriguing, interesting and not altogether comfortable man to come to grips with. He's one of the American politicians who to an exceptional degree, I think, is inner directed, he's his own man and a man of very strong convictions. One might sum him up by saying he is uncomfortably interesting. What you might get then, or what I expect, is not abandonment and reversal of the present policy but more modification, circumspection and perhaps less unilateralism in the American makeup.

... Australian foreign policy its outstanding feature, its most striking feature, is its simplicity and consistency.

Now I will turn to Australia very briefly, and I can be brief because Allan has said some of the things that I wanted to say, and said them better. It seems to me that historically when you consider Australian foreign policy its outstanding feature, its most striking feature, is its simplicity and consistency. At the highest level in terms of grand policy, from the beginning it has consisted essentially of Australia attaching itself to a powerful country that in interest terms shares its concern to maintain the status quo and in value terms shares its commitment to liberal democracy and market economy. Everything else has ultimately been subordinate to this and something that can be dismissed and subordinate to it, even things that at that time we called vital interests—if you think back to Dutch West Irian and the way we accepted America's decision on that without much demand. The only occasions when there's been any suggestion of difficulty, of complexity and uncertainty, is when Australia has two potential great powers to choose from when things have become difficult, as it did precisely 50 years ago over Suez. But after what happened at Suez, Australia learnt its lesson and has rarely, if ever, deviated seriously from the American position since: it's been an undeviating attachment to the United States.

Now, it seems to me that this simplicity can no longer last, and this for two reasons. Firstly, because the United States has changed. The United States is no longer the status quo power that made it a perfect fit for Australia as an ally. By its own definition, in the last few years its become a revolutionary country that wants to change the world order profoundly. This does not suit a country like Australia which is essentially a satisfied country. There will no doubt be modifications post-Bush, but again it'll be a question of degree and I don't think the fit will ever be as comfortable for us as it was in the past.

The second reason, which was covered very adequately by Allan, is the rise of China and Australia's association with China, the fact it has become our second biggest trading partner and will probably become our major trading partner, the fact that our trade with it in imports and exports are increasing at over 20% a year. That gives us a very strong reason for introducing complexity into the relationship with the United States. Japan was different

because Japan was close to America; China is not and will not be. Also, China has become a presence in our region of increasingly significant importance. The old argument, which was a strong one, for the American alliance, fear of a downward thrust of China, doesn't exist any more. It seems to me that Australian foreign policy is going to lose its profound simplicity and become a more complex and ambiguous affair from now on.

I don't think a harsh, violent choice between the United States and China is going to be necessary, unless one or two of those countries insist on it, and I don't think China will—perhaps the United States will but I doubt it. We're going to have to learn to ride two horses simultaneously, which is not the most comfortable of feats. We're going to have to cultivate a greater degree of complexity and ambiguity than we have in the past.

I think I've probably run out of my time. I'll close with two quotations for you to think about. The first, by Lord Salisbury, one of Britain's better foreign ministers, and prime minister too, who once pronounced that 'The commonest error in politics is sticking to the carcass of a dead policy'. I think it is worth pondering that. The second quotation, possibly apocryphal—in fact, I think it must be—General Custer's last words at Little Big Horn as the Sioux advanced, 'I will not cut and run'.

Ross Garnaut

Allan Gyngell's and Owen Harries' presentations are good introductions to my own. If I had been here two speakers ago, my theme would have been that this conference has failed in the most essential task of a conference about high strategy. I would have emphasised the importance of focusing on dilemmas and difficult choices.

Much of the discussion of the last couple of days has been on the basis that the choices are relatively easy. The Prime Minister in his address yesterday talked about a long list of things that we were going to do, but there was no articulation of the need for choice between competing objectives. There was no mention of the United States alliance, which Owen Harries has just told us raises some of the most difficult questions of choice in the period ahead. Allan made the theme of his presentation the importance of choice and that filled out a big gap in the conference. Owen has taken that further just now.

There's been very little discussion of international economics in the conference, and I might even have been asked along here to fill that gap. I don't think you can do that in five minutes at the end so I won't try to, except to say one thing. There has been some reference in the last couple of days to free trade agreements (FTA) and preferential trading areas. Economists think that there is a fundamental choice between free trade and free trade areas. Free trade is about globalisation. Free Trade Areas are about placing limits on globalisation. The recent proliferation of FTAs or preferential trading area is not benign. Continuation of current trends could give rise to some very serious difficulties. The drift into preferential trade is likely to damage all countries economically. Strategically, it is likely to be favourable only to China. It could be very unfavourable strategically to our ally across the Pacific.

The first fundamental issue of choice to which Allan drew attention was budget choice. He made an important point, that choices have been easy in 15 years and one quarter of sustained economic growth. He raised the question about what happens if that growth falters. If you analyse the fifteen years of sustained economic growth in Australia, it breaks down into three periods. We had nine years of very strong productivity growth on the back of the reforms of the eighties and nineties. We had several years of debt-funded consumption and housing boom, which could have led to large difficulties. Then growth was saved by a China boom which continues today, and which may continue for a considerable while. But choices will suddenly become much starker if there is any faltering of Chinese growth in the period ahead. We have a huge strategic interest through our budget, as well as through other mechanisms, in the continuation of strong growth in China. At some time in the years ahead, China as a market economy will fall victim to old-fashioned business cycles, so there will be some bumps in the road.

When you think strategically of the relationship between security and the budget, you immediately recognise a choice between security now and security in future.

When you think strategically of the relationship between security and the budget, you immediately recognise a choice between security now and security in future. The more you spend now on defence, the more secure you are now, but the weaker your economy in the

future because you are investing less in other things. The Soviet Union in the end collapsed for a number of reasons. One important one was that it could not sustain the defence expenditures associated with fighting the Taliban in Afghanistan and the competition in the arms race with the United States. The strong economic performance of Japan and Germany in the fifties and sixties owed something to very low defence expenditures. The strong performance of the United States in the 1990s, with high levels of investment and low long term bond rates, was a peace dividend as the defence strain on the budget was reduced. More economic investment and growth expands the economic base for greater security in future, through defence expenditure and in other ways. We face a choice between more security now and more security in the future.

When we think about choice, we recognise that our strategic environment is potentially a very costly one. In the discussion in the last session there was a comment that our army was not large enough for a major effective intervention in stabilisation of Papua New Guinea if things went badly wrong. Even if that view is not soundly based, there is still a choice to be made between preparing for severe contingencies in our region, and gearing our forces structure for other types of engagement. We have to decide what are our most compelling strategic interests and devote resources to them.

Fortunately just at the moment Papua New Guinea is not doing uniformly badly. It's not noticed in Australia but it still does have a democratic constitutional order, which makes it radically different to the Solomons or Timor. It does have a sound macroeconomic policy, which makes it different from most developing countries. Lots of things don't work in Papua New Guinea. But some things work reasonably well, including some of the most important things. So there is something to work on.

Indonesia is the other potentially highly demanding call on our strategic resources. In Indonesia, things are going well in the bedding down of democracy. There has been good recent progress in the management of the economy within a democratic polity, something that was seriously in doubt until about 18 months ago. The last 18 months have seen some really hard things done by the central bank, the parliament and the president. This shows that effective economic policy can be undertaken in that democratic polity. But, for all the reasons that have come up over the last couple of days, things could go wrong.

The big choice elephant in the room that no-one has been talking about, until Allan a bit and Owen at greater length, is choice in relation to the United States alliance. Everything is fine if our strategic assessments and our strategic interests coincide with those of our ally. If our objectives are simple enough then they may often do so. Things are very difficult if you don't have that coincidence. There could be differences of assessment, or of intelligence. There could be differences of interest. I could give examples of potential conflicts of interest but that would take time. The point can be made by asking bluntly the question: what would happen if the United States made as big a blunder on a big strategic issue in our own region as it has made in Iraq? We would be given some very difficult choices.

If that choice does ever arise, the value of the alliance is so high to Australia—not so high but not insignificantly high to the United States—that it would be a great pity for both of us if the choice is only between destruction of the alliance and Australia dropping any pretence that its foreign policy is run in terms of its own national interests. This was the unfortunate choice that was available in relation to New Zealand when it left the Alliance over two decades ago.

Over what could such fundamental conflicts arise? Well, they won't arise if Australia's assessment is that military intervention is necessary and the United States' is that it's not. Those issues are easily resolved: there'll be no intervention. That happened twice in the 1960s. The Menzies cabinet thought about invocation of ANZUS over Dutch New Guinea and over Malaysia. It was quite clear that the United States did not see its strategic interests engaged. That sort of issue is easy. Probably the same thing would happen again if Australia formed an assessment that military intervention in a large way in Southeast Asia was necessary and the US decided it was not.

The bigger dilemmas arise, the bigger questions of choice, if the US decides that military intervention is necessary and puts pressure on us and we in our own national interest assess that it's not necessary. It could happen over Taiwan. Paul Dibb mentioned a memorable occasion in 1999 in Sydney, at one of the early meetings of the US–Australia Leadership Dialogue. Dick Armitage, then foreign policy advisor to candidate Bush, put the question rather starkly to us, 'Are you ready?'. 'Ready for what?', I said, Stuart Harris said, Paul Dibb said. 'Ready for war with China?'. We looked at each other, 'As a matter of fact, we're not'. 'Well, it might be necessary', said Dick, 'and if American boys are spilling blood on the beaches of the Straits of Taiwan it's not acceptable for Australian boys not to be spilling blood with them'. Fortunately, we haven't faced that choice. The possibility of facing that choice is less likely now than it was seven years ago. One of the few beneficent consequences of the Iraq intervention is that it has changed the atmosphere of US–China relations. It has changed the circumstances in which the US would judge that military intervention was a good idea over Taiwan.

North Korea is a very important area of potential divergence of interests. The issue is made more poignant by the fact that our close friend and economic partner, South Korea—ally of an ally—and our close economic partner, China, have formed a very different strategic assessment from that formed by Japan and the United States. Until this issue is resolved, there is potential for some difficult choices arising.

There could be very difficult choices in the trilateral relationship between Japan, the US and Australia, and this trilateral group's relations with China. We got a little bit of a flavour of this in Xiao Ren's presentation about China and about Sino–Japanese relations. There's a lot of deep history here. Japan's strategic orientation has not been tested in circumstances in which Japan is a normal country, in the sense of having normal, unconstrained military commitments. There are elements of the Japanese polity that instinctively seek a more East Asian face for Japan and Japanese policy. There are elements of the Japanese polity that take huge comfort in continuation of the US alliance more or less as it is. There will be deep pressures on this issue in Japan over the generation ahead and it could break in a number of ways. We would be wise to recognise that there's a wide range of uncertainty there. We would also be wise to think through issues of choice.

Above all, we need now to be talking to our friends in Washington DC about the circumstances in which we can exercise choice. If we haven't worked some of those things out in advance of a crisis, we will be faced with the ugly and unproductive choices that destroyed ANZUS in its original formulation back in 1984.

Elsina Wainwright

I'm going to talk about three issues this afternoon and I selected these in a highly systematic and scientific way: ones which I find interesting, that I think require further analysis, and that I didn't think that my fellow panel members would address. This is how I've arrived at talking about, firstly, fragile states, secondly, the limits of state building and, thirdly, demographics.

In terms of fragile states, I was struck yesterday when we heard from the Prime Minister that he thinks that fragile states are related to almost every threat we face. There is no doubt, it seems to me, that fragile states, with their frequently poor governance and poor institutions and service delivery, severe problems with economic growth, poor human capacity, infrastructure, large populations and high population growth rates, can tend to be havens for transnational crime, tend to real instability, which can spread out beyond their borders and affect neighbouring states and the broader region.

If they collapse, weak and fragile states can create significant regional instability in the form, for example, of refugees and crime.

This problem is set to increase in Asia. We heard from Dr Noronha yesterday that some states are, and will continue to be, left behind by the extraordinary growth in Asia, which is being largely driven by India and China. As these states are left behind—and I'm thinking of Cambodia, Laos, Nepal, and I would also include the Philippines, Burma, North Korea and Pakistan—it amplifies the stresses on these states. For example, Cambodia, next to a stronger, more successful Thailand with its recently tightened security infrastructure, is becoming more of a haven for transnational crime—for instance, we saw the terrorist operative Hambali spending time in Cambodia a few years ago. If they collapse, weak and fragile states can create significant regional instability in the form, for example, of refugees and crime. And as we heard from Professor Lee, they can jeopardise economic growth. Professor Lee also mentioned how consequential it would be for the region if North Korea and Pakistan were to collapse, and the nuclear dimension in these cases makes it even more concerning.

So what are the implications for the region? Well, states of the region have to think of responses. One response, clearly, is to think about how they would deal with a collapse and what they would do. But another kind of response is to work to build up weak states to prevent collapse. Again we heard from the Prime Minister yesterday of the increase of the army by two battalions, and he also mentioned the recent increase of the International Deployment Group within the Australian Federal Police to deal with problems, in particular in the weak states in our immediate region such as East Timor and the Solomons, and as he mentioned at the time he announced the army and the IDG increase, Papua New Guinea. But, as we've heard from Allan Gyngell and Colin James, we are not just dealing with military and law and order problems, we are also dealing with a raft of governance issues, and so you have to be a bit more subtle and nuanced in the tools you use. It's not just military, it's not just police, it's lawyers, it's people from Treasury, it's accountants, and aid workers of course, who are all needed to deal with the very difficult problems of governance that are faced.

That leads me on to my second point and that concerns the events this year in East Timor and the Solomons—I gave birth on the day the Solomons' riots started so it was particularly memorable for me. But I think these events demonstrate the limits of state building. We are seeing that improving governance is enormously fraught, extraordinarily tough, and any kind of intervention has a hugely transformative effect on society. Sometimes that's for good and sometimes, as we're seeing, that can be for ill, and I'll talk about Iraq and Afghanistan in a moment. Also, improving governance is a very long process and it can be vulnerable to fractures in bilateral relations at the very top. I think we've seen that recently regarding East Timor and the Solomon Islands, and we saw it with Papua New Guinea with the scuppering of the Enhanced Cooperation Program last year.

It seems to me that you have to have relationships with these countries which are deeper and more broad ranging to perhaps withstand the breakdown of relationships at the very top, but it's very tough. An intervention can tick every box and fulfil all the goals it has set out to do, but a place like the Solomon Islands just might not be economically viable. That's got nothing really to do with RAMSI; RAMSI's trying to improve the Solomons' economic governance, and I think RAMSI has been performing very well. But in the end it's an issue of the Solomon Islands' critical mass. The problem of state building in our immediate region is going to be an enduring foreign policy challenge for Australia and I think we have to be under no illusion how difficult it is. As Allan Gyngell and Ross Garnaut have just pointed out, in times when resources are finite, in times when the economy starts to turn, tough choices will need to be made about where we put hundreds of millions of dollars. I think that continual thought needs to be given to maximising the effectiveness of these operations, especially to broadening the relationships so they're not as susceptible to shocks.

Iraq and Afghanistan, briefly, likewise demonstrate the limits of state building and the impossibility of meaningful reconstruction in a situation of insecurity. We had very bleak assessments on Iraq and Afghanistan from Dr Chaliand yesterday and Dr Gordon today. In the interests of time I will just talk about Afghanistan. We have heard about the Taliban activity increasing significantly in the last little while. Afghanistan has been nation building lite, it really defines what nation building lite is. As I understand it, it's NATO's first out of area operation. The US is drawing down and it seems to me there are insufficient troops for the task. We heard from Dr Lindley-French yesterday about the prospect of an enhanced NATO but we also heard from him and Dr Chaliand of the problems in getting European states to stump up the troops for the south, of the very difficult conditions in the south, and that more troops are required. The British are doing it very tough in Helmand, the Canadians are in Kandahar, and, of course, we are going in with the Dutch in the province of Uruzgan. We also heard about the circumscribing national caveats which some of the European states elect to put on their troops. The NATO Secretary-General's pleas for more troops, as we have heard, are falling on deaf ears. It does seem to me that NATO's credibility is on the line here if things fail in Afghanistan.

What does this mean for Australia, briefly? Australia, as I said, is joining the Dutch provincial reconstruction team. I think it's a very sensible idea for the Australian Government to have increased the number of troops involved. But this deployment is going to be very dangerous: it is a very dangerous threat environment. The prospect of casualties it seems to me is very real, and I don't think the Australian public have really grasped this unfortunate potential outcome. There is, I think, an outstanding question of how successful reconstruction can be

when you have an active insurgency which is increasing and a security situation, therefore, which is deteriorating.

Lastly, demographics. We have heard on the very interesting issue of demographics from Professor Lee, Dr Gordon and, lastly, from Colin James: in particular, the issue of young populations with high population growth rates. That's the case in a number of states in Asia, as we heard from Professor Lee, the Middle East as we heard from Dr Gordon today, and the South Pacific as we heard from Colin. As I understand it, the Middle East and South Pacific share roughly the same kind of demographic profile. I know the South Pacific slightly better: in the Melanesian states, around 50% of their populations are under 20 years of age. East Timor has one of the highest fertility rates in the world: women on average have eight children.

Young men in these countries have nothing to do, there's a lack of gainful economic activity, as we heard from Colin James, and they're easily led into following certain causes. I think that's what we've seen in part with the recent Solomons riots, and I think that's what we've seen in part with the violence in East Timor. There were different sparks, of course, but both ended up with young men on the rampage causing enormous chaos and setting back the cause of economic progress and state building in those countries to a large degree. We heard from Phillip Gordon about the angry young men in the Arab world, in the Middle East, who feel humiliated and frustrated, have very little in the way of gainful economic activity and therefore are turning in greater number to militant Islam, to Islamic extremism.

So what are the implications for Australia? I had to grapple with this in the Australian aid white paper process which I was involved in last year. We had to think about this issue of young populations, particularly in some of the fragile states of Asia and our immediate region. How do you transform these young people from being forces of instability and into forces for positive change and reform in their countries? That is a very difficult question and it's going to be a continuing challenge for Australia's aid program. Some of the initial solutions that we came up with involved education: for example scholarships for some potential future young leaders so that then they can go back to their country and promote governance reform from within. In addition, Australia can seek to promote economic growth through assistance with economic governance. And that old chestnut which Colin James spoke about, labour mobility, is also something I think we have to consider.

Allan Gyngell

I will end just by making a very quick point about choices which all the other panellists have referred to. About ten years ago a friend of mine was doing a graduate course at Colombia University which was taught by Zbigniew Brzezinski. He was attending a seminar on Poland and at the end of the seminar one of the young students got up and asked one of those immensely complicated questions which students sometimes ask to impress upon their teachers the degree of their knowledge. Brzezinski waited very patiently until the young man had finished speaking and then said, 'My friend, there is one thing you need to know about Poland: on one side of Poland is Russia, on the other side of Poland is Germany. That is the only thing you need to know about Poland'. The problem for Australia is that there is no one thing that you need to know about Australia, and that's good because it means we have strategic choices rather than having them forced upon us, but it's bad, or at least difficult, because it means that there are a lot of things we have to decide. Dr Zakaria raised some of those questions.

We need to make choices regionally and we need to make choices globally and the problem is that those choices don't really form a conceptual unity.

We need to make choices regionally and we need to make choices globally and the problem is that those choices don't really form a conceptual unity. Australia's world, and I end on this point, is, as Owen said, about to get more complex and ambiguous.

Contributors

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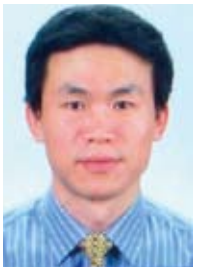
Dr Philip Gordon

Dr Philip Gordon is a Senior Fellow for US Foreign Policy at the Brookings Institution. Prior to coming to Brookings in 2000, he was Director for European Affairs on the US National Security Council staff and from 1994–98 he was Senior Fellow for US Strategic Studies and the Editor of Survival at the IISS in London.

Dr Phillip Gordon is a regular commentator in international affairs and US foreign policy for major television and radio networks and a frequent contributor to the op-ed pages of major newspapers such as the *New York Times*, *Washington Post*, *International Herald Tribune*, *Financial Times* and *Le Monde*. His latest books include *Crescent of Crisis: U.S. and European Strategies for the Greater Middle East* (Brookings, 2006); and *Allies at War: America, Europe and the Crisis Over Iraq* (McGraw-Hill, 2004).



Dr Xiao Ren

Dr Xiao Ren is Professor and Associate Dean of the Institute of International Studies, Fudan University, Shanghai, China. Until recently he was Senior Fellow and Director of the Asia Pacific Studies Department, Shanghai Institute for International Studies (SIIS). Before joining SIIS in 2002, he taught at Fudan University Department of International Politics from 1992 to 2002 as lecturer (1992–96), associate professor (1996–2001) and professor (2001–02). He studied in the University of Essex in England (1990–1991) and also held research or teaching positions at the University of Turku, Finland, Nagoya University, Japan, and The George Washington University in Washington, DC, USA. His research concentrates on international relations of the Asia–Pacific, Northeast Asian security, and East Asian economic and security multilateralism. His op-eds appear on newspapers such as *Wenhui Daily*, *Jiefang Daily*, and *Shanghai Evening Post* etc. His recent articles are, among others, 'China in Search of a Responsible Role in the Korean Peninsula,' and 'Adapting or Shaping?: Asian Regional Cooperation and China's Role.' His other publications (available in Chinese) include *New Perspectives on International Relations Theory*, The Changzheng Press, 2001 and *U.S.–China–Japan Triangular Relationship*, The Zhejiang People's Publishing House.

Dr Dino Patti Djalal

Dr Dino Patti Djalal joined Indonesia's Department of Foreign Affairs (DEPLU) in 1987. After graduating from Foreign Affairs Academy, his first assignment was as Assistant to the Director-General for Political Affairs. In 1992, he was sent as third secretary for political affairs at the Indonesian Embassy in London. In 1997, he returned to Jakarta to serve as DEPLU's Head of Decolonisation section, which dealt with finding a peaceful settlement to the East Timor issue. He was then sent to East Timor in 1999 to become spokesperson for the Task Force for the Implementation of the Popular Consultation in East Timor (Satgas P3TT) and to help facilitate the work of UNAMET in organising the referendum, which tragically ended in violence. In early 2000, he took a 4-month leave from Government work to obtain his Doctorate Degree in International

Relations from the London School of Economics and Political Science. Under the supervision of the late Prof. Michael Leifer, Dino Patti Djalal, in the summer of 2000, successfully defended a PhD thesis on preventive diplomacy.

In late 2000, Dr Dino Patti Djalal was sent to the Indonesian Embassy in Washington DC to head the Political Department with the rank of Counsellor and then promoted to Minister Counsellor. Between 2000 and 2002, he also graduated top of the class from middle-level and senior level Diplomatic Courses (SESPARLU and SESDILU). In 2002, he returned to Jakarta to serve as Director for North and Central America at the Department of Foreign Affairs.

In October 2004, he became the foreign affairs spokesperson for Indonesia's new-elected (sixth) President, Susilo Bambang Yudhoyono, a job which later expanded into Special Staff of President for International Affairs.

Dr Dino Patti Djalal has written several books and articles. He wrote *The Geopolitics of Indonesia's Maritime Territorial Policy* (Jakarta : CSIS, 1996), *Penyelesaian Konflik Timor Timur : Posisi, Opsi, Aspirasi* (Jakarta : ICWA : 1999). He also recently edited *Transforming Indonesia* (Jakarta : Gramedia, 2005), a book containing a collection of President Yudhoyono's international speeches. William Safire has called Dr Dino Patti Djalal 'Indonesia's leading speechwriter'.

Mr Allan Gyngell

Allan Gyngell, the Executive Director of the Lowy Institute for International Policy, has a wide background in international policymaking in Australia. He joined the then Department of External Affairs in 1969 and had postings to Rangoon, Singapore and Washington. He then spent a number of years working for the Office of National Assessments, Australia's national intelligence analysis organisation. He also headed the International Division of the Department of the Prime Minister and Cabinet, from where he was appointed in 1993 as foreign policy adviser to then Australian Prime Minister, Paul Keating.

He has worked as a consultant to a number of Australian companies. His book *Making Australian Foreign Policy*, co-written with Michael Wesley, was published by Cambridge University Press in July 2003. He is a member of the Australian Government's Foreign Affairs Council.

He was educated in history and political science at Melbourne University.

His research interests are Australian foreign policy, intelligence policy, diplomacy and policymaking.

Mr Colin James

Colin James is a New Zealand political journalist of more than 30 years who writes a weekly column in the *New Zealand Herald* and a monthly column in *Management* magazine. He is also an occasional commentator on radio and television. He is the New Zealand correspondent of Oxford Analytica. Most of his recent writing and speeches can be found on www.ColinJames.co.nz.

He has a special interest in party and electoral politics. He has correctly forecast which party would be or lead the government in 12 of the past 13 elections. He has written six books, including *New Territory* in 1992 and three on elections, a guide for journalists covering elections and chapters in numerous books.

He also analyses and forecasts the policy environment in which businesses and other organisations must operate and runs a forecasting service, the Hugo Group (www.TheHugoGroup.com), which has around 90 medium and large corporate members at CEO level.

He is an associate of the Institute of Policy Studies, Victoria University of Wellington. His most recent booklet (June 2002) for the institute dealt with the relationship between ministers and departmental CEOs. In April 2000 he organised a national conference on the constitution and edited a book of the papers given at that conference. He has recently completed a series on sustainable energy, which will result in a book later in 2006.

Colin James also has a special interest in the Australia–New Zealand relationship since writing a monograph in 1982 in the lead-up to the signing of the CER treaty in 1983. He has contributed a chapter on Australia–New Zealand for a book on New Zealand's international relationships 1990–2005 to be published by the New Zealand Institute of International Affairs and in February contributed a paper on the future course of the relationship at an institute conference.

He has contributed papers to seminars in New Zealand, Australia, Japan, the United Kingdom and the United States. He has held several university fellowships, including JD Stout Research Fellow at Victoria University in 1991 and inaugural New Zealand Fellow at the Centre for Comparative Constitutional Studies at Melbourne University in 1993.

Professor Dato' Dr Zakaria Ahmad

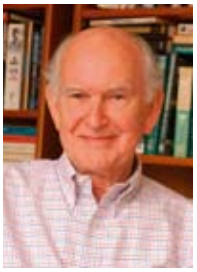
Professor Dato' Dr Zakaria Ahmad is Executive Director at the HELP University College Kuala Lumpur. He is also concurrently Adjunct Professor of Strategic Studies at the Malaysian Armed Forces Defence College and Adjunct Professor in Southeast Asian Studies at Ohio University. He previously served at the University Kebangsaan Malaysia (UKM) where he pioneered the Strategic and Security Studies Programme and served as Dean of Social Sciences and Humanities from 1999 to 2000.

From 2000 to 2003 he was the Tun Abdul Razak Distinguished Chair in Southeast Asian Studies at Ohio University, USA.

Professor Zakaria received his B.Soc. Sci. from the University of Singapore (1970), his MA from McMaster University (1971, Canada) and his PhD in Political Science from MIT (1977). He has also taught at the University of Science Malaysia, University of Malaysia and the National University of Singapore.

Professor Zakaria has been published extensively in public and international affairs of Malaysia, ASEAN and Pacific Asia. His latest publication is *Government and Politics of Malaysia* as part of the *Encyclopedia of Malaysia* series.

He is also President of the Malaysian Gymnastics Federation (1989–present), Vice-President of the Olympic Council of Malaysia (2005–2007), and a member of the Council of the International Gymnastics Federation (FIG) (2000–2004, 2004–2008).



Mr Owen Harries

Owen Harries is a senior fellow at the Centre for Independent Studies and Visiting Fellow at the Lowy Institute for International Policy. He is a member of the editorial board of *The American Interest* (Washington DC).

He was born in Wales in 1930 and educated at the Universities of Wales and Oxford. He taught at the Universities of Sydney and New South Wales. In the late 1970s he was head of policy planning in the Australian Dept. of Foreign Affairs, and senior adviser, successively, to the Minister for Foreign Affairs and the Prime Minister.

During 1982–83 he was Australian Ambassador to UNESCO. He was editor in chief of *The National Interest* from its founding in 1985 until 2001. He was editor and principal author of *Australia and the Third World* (1979) and editor of *Americas Purpose: New Visions of US Foreign Policy* (1991). He has published over 150 articles in leading journals and magazines, including *Foreign Affairs*, *Commentary* and *New Republic*.

Professor Ross Garnaut AO

Ross Garnaut is currently Professor of Economics, Research School of Pacific and Asian Studies, The Australian National University (from 1989—part-time since 2001.

Ross is a member of the Boards of several international research institutions, including the Lowy Institute for International Policy (Sydney), AsiaLink (Melbourne), the Centre for Strategic and International Studies (Jakarta) and the China Centre for Economic Research at Peking University (Beijing).

His previous appointments include Australian Ambassador to China (1985–88); Chairman, Primary Industry Bank of Australia Ltd (PIBA) (1989–94); Chairman, Bank of Western Australia Ltd (BankWest) (1988–95).

Professor Garnaut is the author of the Report presented to the Australian Prime Minister and Minister for Foreign Affairs and Trade in October 1989, Australia and the Northeast Asian Ascendancy. He is also author of numerous books, monographs and articles in scholarly journals on international economics, public finance and economic development, particularly in relation to East Asia and the Southwest Pacific.

Dr Elsina Wainwright

Dr Wainwright is now a Visiting Fellow at ASPI. She was ASPI's Strategy and International Program Director. Prior to joining ASPI, Ellie Wainwright was an Associate with the management consulting firm McKinsey & Company. She also worked as a consultant political analyst for the International Crisis Group in Bosnia. She is a Queensland Rhodes Scholar, completing both her Masters and Doctorate in International Relations at Oxford University. While at Oxford, she was a Stipendiary Lecturer in Politics at Oriel College and a tutor in Politics at Christ Church.

Ellie has authored a number of ASPI Strategy reports including *New Neighbour, New Challenge: Australia and the Security of East Timor*; *Strengthening Our Neighbour: Australia and the future of Papua New Guinea*; *Our Failing Neighbour—Australia and the future of Solomon Islands*; *Building the peace—Australia and the future of Iraq*; and the following ASPI Strategic Insights *Precarious State: Afghanistan and the international and Australian response*; *How is RAMSI faring? Progress, challenges, and lessons learned*. She has also written a number of articles including 'Solomon Islands, Papua New Guinea and Australia's Policy Shift', *The Sydney Papers*, Vol. 15, No. 2, Autumn 2004 and 'Responding to state failure—the case of Australia and Solomon Islands', *Australian Journal of International Affairs*, Vol. 57, No. 3, November 2003.

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