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Australia and the Middle East

by Rod Lyon and William Maley

Director's introduction

Events in the Middle East seem nowadays to dominate our newscasts on an almost daily basis. And while Australians are often at their ease discussing and arguing about issues in their own immediate neighbourhood, or in relation to their traditional security partners, they often feel ill at ease in thinking about their security commitments in relation to foreign cultures half a world away. At the same time it's worth noting that in every year since 1948 Australian Defence Force personnel have been represented in one or other peacekeeping forces in the Middle East and of course more recently in the military campaigns in Iraq and Afghanistan. We also have extensive economic interests in the Middle East.

ASPI is embarking this year on a major project that looks at key issues of Middle East security. Naturally, the war in Iraq will be a focal point of our work. But we want to range more broadly across other key issues as well, and to explore the issues in a manner that will allow Australian interests to come to the fore. In this vein we are embarking upon a series of 'After Iraq' studies, which will feature amongst our products in coming months.

This *Special Report* is the first output of this project. The report contains contributions from Dr Rod Lyon who directs the Strategy and International Program at ASPI and Professor William Maley, Director of the Asia-Pacific College of Diplomacy.

Readers will be struck by the different approaches they have each taken to the broad question we set them: what are Australia's interests in a changing Middle Eastern security environment? Dr Lyon's approach is that of a strategic analyst, with a fascination for power shifts and conflict. Professor Maley's approach is that of the regional expert, enriched by a close knowledge of the countries and cultures of the Middle East. The different approaches make for interesting comparison. Placed side by side, they help to 'bookend' a difficult subject, and to set the scene for the larger project we have in mind.

I hope readers will find value in both contributions in this *Special Report*. They are meant to stimulate questions rather than to provide final answers.

Peter Abigail
Director

An era of strategic realignment

Rod Lyon

Executive summary

Australia's interests in the Middle East reflect its broader interests in a favourable global order. The region will remain a critical global energy supplier for decades. And the global War on Terror is unlikely to be successful without transformation of regional politics. The war in Iraq is serving as the catalyst for a realignment of Middle East security, crystallising three distinct strategic trends that were already under way there: an eastward shift in the region's centre of strategic gravity, a greater strategic importance for the sectarian fault-line between Sunni and Shia, and the increasing prevalence of unconventional forms of conflict. Those trends suggest a new Middle East is on the rise: one where the old enmity between Arabs and Jews is becoming less important. In that 'realigned' Middle East, Australian interests will centre more heavily upon a Gulf region facing a host of new strategic challenges. That realignment will be a key factor in global security in the coming decade, meaning that the Middle East will probably remain the region of the world where Australian troops are most likely to be deployed on warlike missions.

Australia's engagement with the Middle East is both historical and contemporary. When Australians looked to Britain for their principal foreign policy needs, they looked directly towards the Middle East, the geographical region that sat between them and the UK. It had direct relevance to their trade routes and to Britain's ability to help Australia during times of need. Robert Menzies' willingness to involve himself in the Suez Crisis of 1956 shows nothing so much as Australia's view that the Middle East and its waterways were one of the key factors in Australia's own security and prosperity. (Menzies himself identified the Suez Canal as one of Australia's 'vital' interests.) Today Australia's main trade and security linkages lie elsewhere. But the Middle East has a continuing importance for us: it is simultaneously the driver of the world's economic engine and the source of many of its greatest security threats. Those factors make it of direct importance to us.

Strategically, the Middle East is the area of the world where the ADF is most likely to be deployed in a war-like setting. Within the region lie the most serious and imminent threats to the global order. Few important threats exist in relation to the world's central strategic features. The great concentrations of wealth, technology and industry—North America, Western Europe and Northeast Asia—are all comparatively well-managed, at least in a strategic sense, and notwithstanding the great-power tensions that still occasionally haunt the Northeast Asian region. But the global order as a whole (and Asia in particular) is increasingly dependent on the proven oil reserves of the Middle East. So the easiest scenario for generating a conflict that affects the world's key economic engines is to upset strategic stability in the Middle East.

Putting it briefly, the world has a compelling interest in Middle Eastern stability, and that means it has an interest in who runs the Middle East. That's why a large coalition of countries went to war with Saddam's Iraq in 1991. Saddam's forces did more than overrun Kuwait; they overloomed Saudi Arabia and the Gulf states and transformed the strategic calculus of the region. Moreover, nowadays it's not just hostile states that are the worry: as the number and variety of strategic players in international security increase, the world, including Australia, cannot tolerate the region and its oil wealth falling within the veto-power of extremists.

It is this linkage between the Middle East and the existing global order that gives the

region its connection to Australian strategic policy. When the government published its Defence Update 2005, it said that 'Australia's vital interests [were] inextricably linked to the achievement of peace and security in the Middle East.'[1] That's because Australia's vital interests have long been tied to grand objectives. When Prime Minister Howard spoke at the Australian Strategy Policy Institute's *Global Forces* conference in September last year, he stressed the importance of the current global order for Australian security. 'The belief that the protection of our continent and citizens starts well beyond our shores has formed an essentially unbroken line in Australian strategic thinking—from the sacrifices on the Western Front 90 years ago to our commitments today in places like Iraq and Afghanistan. Geography alone has never determined our strategic horizons.'

Why do distant events matter? Because Australians believe their security interests involve much more than a secure Australian continent. They involve, as Howard himself put it, 'a global balance of power, favourable to our interests and to those of our allies; secure sea and air lanes as sinews of peace and prosperity; and a framework of international norms conducive to individual freedom, economic development and liberal democracy.'

That framework shapes the way we think about our interests in the Middle East. Our interests there do not reflect merely what we might think of as the local attributes of the region itself. That's not how foreign and security policies are made. Foreign-policy makers do not usually ask themselves what their country's national interests are in Country A or Region B. Rather, governments devise their national interests *in toto*, and then seek to construct policies that allow them to pursue those interests everywhere. The same is true for Australian policy makers. We have one grand set of national interests and not many small, geographically-determined sets. Our interests don't change from region to region; they are merely the same interests applied in different regions as circumstances permit.

In that sense, when we ask what Australia's national interests in the Middle East might be, we are really asking how we pursue our broader national interests within this more specific region. Our security interests 'in the Middle East', are in fact still the security interests that Howard sketched out in September 2006: a global balance of power, favourable to our interests and to those of our allies; secure sea and air lanes as sinews of peace and prosperity; and a framework of international norms conducive to individual freedom, economic development and liberal democracy. So what, if anything, can we do to achieve those objectives in the Middle East?

The special interest in energy

The region's primary connection to the global balance of power is through its role as an energy-supplier. Current projections point to a rise of about 50% in global energy consumption between 2000 and 2020, with oil, gas and coal (in that order) still making by far the largest contributions to global energy supply in 2020.[2] The Persian Gulf is home to 57% of the world's proven oil reserves and 40% of its proven gas reserves.[3] So its position as a key energy supplier to the global economy is assured for many years to come. True, in one sense Western strategic dependence on that oil is decreasing: by 2015, only about 10% of Western countries' oil imports will come from the Middle East.[4] But direct imports are only a partial measure of the West's strategic dependence. Global dependence—and especially Asian dependence—on Middle Eastern oil is growing, and Western economies are increasingly dependent on energy-intensive

imports from Asia and elsewhere. Further, many of Australia's principal trade partners are themselves much more dependent than us on Middle East oil.

But oil is not the only reason why the Middle East is important to us. Other factors include issues related to the failure of the Arab development model, the radicalisation of significant numbers of Islamic youth, and the increasing tendency for the regional strategic competition to take on WMD overtones. Regional underdevelopment shows up most starkly in its economic figures: even in 2003, when the Americans first led the Coalition of the Willing into Iraq, Condoleeza Rice could talk of the Middle East and North Africa as a region of twenty-two countries with a combined population of 300 million but an aggregate GDP less than that of Spain. Today, the Middle East is still a marginal actor in terms of globalisation. World Bank economists have argued the two trends—weak development performance and low international integration—actually go hand in hand: weak integration has meant the Middle East has derived only limited benefits from a period when global engagement has been the most effective route for lifting economies across much of the developing world.[5]

But the region is proving more integrated in terms of globalised conflict patterns. Conflicts in the Middle East continue to reach beyond the region's borders, as we can see most clearly by looking at the nationalities of the September 11 attackers in 2001. No hijacker came from a non-Middle Eastern background. Saudis were by far the largest national group amongst the nineteen individuals who perpetrated the September 11 attacks (fifteen of the nineteen). They were accompanied by two United Arab Emirates nationals, an Egyptian and a Lebanese. Moreover, globalisation within the Middle East seems to work well enough that new media outlets like al-Jazeera can help build a base of popular support for Arab causes, and that radical, fringe groups can access the resources that provide them with recruits, training and funds.

We can't 'fence off' the Middle East, simply buying its oil while ensuring that the strategic problems of the region remain self-contained. Nor can we ignore the region: it is just too important in global strategic terms. So Australia—again, like most other countries with a reasonable stake in global order—has to think through its own interests in relation to the region, and to work with regional countries with a clear sense of its own policy options.

The geopolitical shifts in the Middle East

Across the Middle East, we can see three inter-linked trends:

- a continuing shift in the strategic centre of gravity from the Mediterranean to the Persian Gulf
- the rise of sectarianism as a potentially critical fault-line across the region
- and the increasing move towards non-conventional forms of conflict.

This paper will briefly explore these trends and their significance. Given the current condition of a broken security structure in the Gulf, the cumulative effect of those trends seems to be driving a strategic realignment of the Middle East.

A shifting centre of gravity

The centre of strategic gravity in the Middle East has for some decades been shifting from the Mediterranean to the Persian Gulf. Following the earlier 'oil shocks', oil has been the main driver of regional wealth and power. The shifting centre has produced two effects: the relative strategic decline of Egypt, and

a steady diminution of Arab interest in the outcome of the Israeli/Palestinian issue.

Although economic statistics are not a perfect indicator of national power, they suffice to tell here a brief tale of the power shifts that have been underway within the region over recent decades. Egypt, which has little oil, has seen its own importance within the Middle East decline. Once the largest economy in the Arab world, it now has an economy smaller than UAE's, and only 20% larger than Kuwait's.

Country	GDP in 2006 (official exchange rate in US$)
Saudi Arabia	$309.8 billion
Iran	$196.3 billion
Israel	$123.4 billion
United Arab Emirates	$104.2 billion
Egypt	$89.3 billion
Kuwait	$74.7 billion
Iraq	($46.56 billion)[a]
Qatar	$28.5 billion
Syria	$26.3 billion
Oman	$24.3 billion
Yemen	$14.5 billion
Bahrain	$13.0 billion
Jordan	$12.9 billion
West Bank and Gaza	$3.5 billion

Source of data: World Bank

a. Unlike the other figures in this table, this estimate for Iraq's GDP is taken from the CIA World Factbook. The World Bank estimate of Iraq's GDP in 2005 is US$12.6 billion. Given the wide range of variation in these two figures, I have listed the higher one, but accept that the Iraq figure is comparatively soft.

(A useful point of comparison for this table is the World Bank's estimate of Australia's own GDP in 2005, which was US$700.67 billion.)

This eastward shift of wealth and power has moved new issues onto the regional security agenda, even though the traditional Arab–Israeli rivalry has not been resolved. Nor should we expect a resolution anytime soon: recent meetings between weak Israeli and Palestinian leaders do not suggest an imminent breakthrough. Blame for the current impasse can be apportioned out on all sides. As Fouad Ajami has written, 'ever since the Palestinians had taken to the road after 1948, that population had never been given the gift of political truth. Zionism had built a whole, new world west of the Jordan River, but Palestinian nationalism had insisted that all this could be undone.'[6]

But we have already entered a Middle East where the Palestinian issue is less important than it was ten years ago. The Israeli–Palestinian divide is no longer the dominating fault line of regional strategy. New issues are starting to crowd the agenda: and the fault lines are starting to follow the eastward shift in strategic weight. As those new fault lines come to shape strategic choices, it is possible to envisage new sets of security arrangements in the region, even ones that might straddle old enmities. For example, Gary Sick, a former US National Security Council adviser on Iran and now a professor at Columbia University, has openly contemplated an 'emerging strategy' that brings together the Sunni Arab states with Israel and the US in an 'informal alliance' against Iran.[7]

The sectarian fault line

The second trend in regional security is one that points directly towards a new strategic fault line. Across the Middle East, observers are starting to talk about a sectarian genie which is now out of the bottle. The Iraq conflict has excited contention over a fundamental sectarian split across the Middle East: the split between the Sunnis and the Shia. In Arab lands, political power has largely been in the hands of the Sunni majorities. But Sunni political leaders—and the authoritarian political structures through which they rule—are coming under pressure. The Shia influence is growing, threatening an age of political reform across

the Middle East. Persian Iran welcomes and encourages that evolution, hoping to see within it the increasing marginalisation of an Arab nationalism that found expression in animosity towards Iran. A Shia Iraq would constitute the first case of Shia government in a major Arab country (though this depends on how we count Alawite–ruled Syria, a country lacking oil resources where a minority Shia sect rules a predominantly Sunni population).

Iraq was a country where a Sunni minority effectively held in brutal check a Shia majority of the population and the Kurdish people to the north. Regime change and a doctrine of democratic reform have empowered the Shia majority, and have done so at a time when the broken security structure of the Gulf region has left Iran strategically advantaged. The fall of Sunni rule in Iraq has made the traditional Sunni powers—Saudi Arabia, Egypt and Jordan—more concerned about the future sectarian balance of power in the region. Saudi rulers may well worry more about that 10% of their population that makes up their own Shia minority, and which generally lives in the oil-rich eastern provinces of the country. So what happens in Iraq is critically important, not least because her neighbours are starting to see events there as a surrogate conflict for the region as a whole. And the more the conflict is perceived as a surrogate conflict on the bigger issue of 'who runs the Gulf', the more resources those neighbours will be prepared to commit to shaping the outcome.

True, across the broader Middle East Sunnis are easily numerically dominant to Shia. But here the first trend discussed above, the shift in the region's centre of gravity, starts to come back into the equation: Egypt's relative strategic decline suggests a broader slippage in the Sunnis' abilities to determine outcomes: Fouad Ajami (a Lebanese Shia by background) once noted that if you take Egypt out of the Middle East, there is no Sunni majority in the Arab world. You can't take Egypt out of the Middle East, of course, but the country's strategic marginalisation encourages such perceptions.

The great danger inherent in a more intense sectarian contest is that the Gulf's two 'strongest' states (at least in GDP terms)—Saudi Arabia and Iran—sit on opposite sides of the sectarian fence. Managing global oil supplies might well require a tempering of the sectarian conflict, and much stronger efforts to engage the two major parties in a shared arrangement for Gulf stability. Whether that is possible will depend in large part upon the sort of leadership that runs Iran. As Condi Rice has already pointed out, if Iran wishes to help stabilise the Gulf region, it is within its own power to begin doing so now.

An 'Islamic' way of war?

A third trend under way in the region concerns the increasing move towards non-conventional modes of warfare. That trend can be seen in relation to both the importance of non-state actors as war-making units and the drift towards weapons of mass destruction.

In September last year, Andrew Bacevich (professor of history and international relations at Boston University) argued that 'the sun had set' on the age of Western military dominance. His evidence was drawn almost exclusively from the Middle East: the problems that the Coalition of the Willing was encountering in Iraq, and the difficulties that Israel had experienced in fighting Hezbollah in Lebanon. An 'Islamic way of warfare', he argued, had been developing in recent decades, as part of which Arabs had abandoned their previous attempts to fight the West on Western terms.[8]

Islamic military successes had been achieved by the mujahideen in Afghanistan, the Intifadas in Palestine, the September 11 conspirators, and the insurgents in Iraq. In

short, Islamic 'armies' won when they were not armies at all. To Bacevich, the significance of this development was that Arabs now had the capacity to deny victory to the West, especially in those struggles when the West chose to fight on Arabian lands. Central to that denial of victory was a strategy that Richard Haass has termed 'the militiazation of violence',[9] the willingness to move conflict away from the traditional state-on-state pattern where Western militaries shine.

Intensifying worries about this shift to militiazation is the rising prominence of weapons of mass destruction within the region. Israel already has a nuclear arsenal. Iraq attempted to build one, and its program was derailed, principally by the 1991 Gulf War. Iran now looks like it is also trying to build nuclear weapons. Despite the Iranian statements that they are attempting to enrich uranium solely for the purposes of their civil nuclear program, it is hard to take such claims seriously in the face of the covert activities that seem to have characterised so much of the program to date.

What would be the regional consequences of Iranian proliferation? Some speculate that if it does build nuclear weapons, Saudi Arabia—and perhaps Egypt and others—would not be far behind. In November last year, the IAEA deputy director-general noted that six Middle Eastern states—Algeria, Egypt, Tunisia, UAE, Morocco and Saudi Arabia—had informed the agency that they were embarking on programs to master nuclear technology. The announcement seems to reflect a reversal of earlier policy positions across a range of Arab countries in favour of a nuclear-free Middle East.

Both forms of non-conventional warfare—militiazation and WMD—make external intervention in the region more difficult. That conclusion is not a happy one in light of the earlier prediction: that the ADF is more likely to be deployed to the Middle East in support of 'big-picture' strategy than it is to be deployed anywhere else. If such deployments are indeed more likely than others, then the ADF would need to improve its capacities to fight in the sort of conflicts that we now see in Iraq, and—potentially—on WMD-contaminated battlefields. Worrying too is that both forms of non-conventional warfare offer some prospects for horizontal escalation of a conflict beyond regional borders.

Weaving all three trends together, we see a more important Gulf region with Iran at its core, a relative empowerment of the Shia against the Sunnis, and a move towards forms of warfare that counter Western conventional military strengths.

The structure of regional security

The trends are given greater strategic importance by the current security environment, in particular by the rupture of the existing security arrangements within the Persian Gulf area and the pressing need to construct new ones. The decapitation of the Iraqi regime pulled the rug from under the existing Gulf security order. To use Richard Haass's words, 'Iraq is an unattractive hybrid: part civil war, part failed state and part regional conflict.'[10] Iraq was the central bulwark against Iranian influence. Its weakening was always going to be the spur to a new security order.

The security system put in place to counter Iraqi aggression against Kuwait in 1990 is now obsolete. US ground forces are all but gone from Saudi Arabia. Iran is more of a worry. And the future of Saudi Arabia is itself far from certain. US access in the Gulf region might yet end up depending more heavily upon cooperative agreements with the smaller Gulf states, especially Kuwait, and its force deployments might well become more

naval in the future. Some might even see the appointment of Admiral Fallon as CENTCOM's new commander as an indicator of this looming reorientation.

Given that Middle Eastern states are becoming more powerful, and that the ability of outsiders to determine outcomes is waning (as Iraq shows), any new system will have to depend centrally upon the local, regional states as the principal players in the system. But they can't be the only players in the system. As noted above, the region is critical to global security: the biggest consumers of Middle East oil are not the regional states. So outsiders do need some form of relationship with the emerging security system. Building an appropriate mechanism will be difficult: the experiences of the Gulf Cooperation Council show just how difficult it is to build effective multilateral security mechanisms over even a portion of the Middle East.

On 16 January this year, a group of eight Arab nations joined the United States in issuing a statement warning against 'destabilisation' of the Persian Gulf region, and expressing support for a principle of 'non-interference' in Iraq. The eight nations—Saudi Arabia, Egypt, Jordan, Kuwait, Qatar, Bahrain, Oman and the UAE—were in their fourth meeting since September, but this was the first one to issue a joint statement.

The group appears to reflect an attempt by the US to build some form of mainstream security partnership in the region that would help bring stability to Middle East affairs. But the level of intra-regional commitment is hard to gauge: some media reports suggest the Arab officials are 'reluctant participants', wary of antagonising Iran. What is clear is that building a credible security system will be the work of several years. Moreover, it will clearly require a major diplomatic initiative and not merely a new set of military assurances.

Iran and WMD

The Iranian nuclear program has a particular strategic importance in the region, because it brings to the fore a series of bleaker options for the region's future. As argued above, it could signal an important tipping point in the nuclear future of the Middle East.

Central to any judgment about the menace posed by a prospective Iranian nuclear arsenal is a puzzle: do we know what sort of nuclear actor Iran would be? Would its strategic reflexes be defensive or offensive? Would we be more likely to see an Iran committed to the deterrence of attacks on vital interests, or an Iran emboldened by nuclear possession and willing to pursue a more provocative role on the global stage?

Some say the answers to those questions are irrelevant because we can't stop a determined Iran from proliferating: its size and oil wealth make sanctions against it largely ineffective, its nuclear program is too diverse and too well-concealed to be confident that even a military strike could long suppress it, and its options to retaliate and make life more painful for its attackers—especially in Iraq—are too many.

But Iran might yet prove more vulnerable than some believe to outside pressure. Economic mismanagement at home makes the country more susceptible to external pressure, and current sanctions are starting to squeeze the country's energy sector.[11] The Iranian oil industry has suffered from a lack of foreign investment virtually since the Iranian revolution of 1979. Moreover, Iran's controversial president, Mahmoud Ahmadinejad, faces an uncertain political future, his leadership increasingly under question.

Launching a preemptive strike on the Iranian nuclear program would be a drastic option. That doesn't mean such a course

is completely impossible. Some argue that it might be possible to delay the Iranian program for up to a decade by attacking just two critical vulnerabilities in the Iranian program: the uranium hexafluoride plant at Esfahan and the pilot uranium enrichment plant at Natanz. Whether or not this is true, the Bush Administration has been attempting to signal simultaneously both its reluctance to conduct any sort of military option against Iran and its refusal to take the option off the table.

Iran worries Washington. The Iranian proliferation case is not like the North Korean case: Iran is a strong power surrounded by weak powers, whereas North Korea is a weak power surrounded by strong powers. The recent statement by Ahmadinejad, that the Iranian nuclear program resembled a runaway train from which the Iranian leadership had deliberately removed the brakes and the reverse gear, will do little to cool tensions between the two countries.

Further, Iranian nuclear proliferation must be seen in the context of the trends outlined above. If Shia Iran proliferates, can Sunni Saudi Arabia and Sunni Egypt be indifferent to that proliferation? A substantial wave of nuclear proliferation across the Middle East would pose a severe test for those strategic optimists who believe that nuclear weapons help ameliorate conflict rather than inflame it.

A more 'insulated' Middle East?

If WMD capabilities do start to spread in the Middle East, a variety of strategic effects will ensue. Particularly when augmented to the 'Islamic way of war' discussed above, WMD proliferation would make it much harder for external players to intervene in the region. This 'insulating' of the Middle East, and especially of the Gulf region, from external intervention would play to the benefit of the potential hegemons amongst the regional actors, who are the logical proliferators.

It would in particular benefit those local powers who are already benefiting from the three trends discussed above; the eastward shift of the region's centre of gravity, the relative empowerment of the Shia, and the increasing importance of non-conventional modes of warfare. From all three trends, the biggest winner is Iran, and it is no accident that analysts now write of the growth in Iran's 'hegemonic reach' in recent years. 'Iran is more assertive in the region today than arguably any time in the last two decades.'[12]

That increasing insulation of the region would also make Israel feel more vulnerable and isolated, and even more sensitive to slippage in its own strategic position. In particular, it would be concerned by a series of nuclear dominoes falling in the Middle East, devaluing its own nuclear arsenal. Since Menachem Begin first announced in 1981, immediately after the Israeli attack on Iraq's Osirak reactor, that Israel 'would not tolerate any nuclear weapons in the region', Israeli leaders have generally held the line on the 'Begin doctrine'. For Tel Aviv, stopping the first of the nuclear dominoes—Iran—from toppling will be critical.

Patterns of conflict within the region

The possibility of an Israeli strike against Iran's nuclear program would threaten to return us to the older-era Arab–Israeli conflict pattern. That pattern is obviously still deeply entrenched in regional reflexes. But it is unclear how that pattern might play out now. Across much of the Gulf, individual states would be drawn into calculating the strategic consequences of any such strike in relation to a broader set of factors, and the importance of new fault lines. Iran would clearly have

considerable capacities to retaliate in non-conventional ways.

What is even less clear is what the broader context of WMD proliferation and insurgency warfare means for the future of conflict in the Middle East when the parties to the conflict are both local. Richard Clarke's recent novel, *The Scorpion's Gate*, posits a conflict scenario in the Gulf in which the principal combatants are the local Gulf states, but the main exchanges occur at the level of non-state or quasi-official actors. The royal family has been toppled in Saudi Arabia, a shaky Islamic government is in power there, and the Qods force, the elite unit of the Iranian Revolutionary Guards, features as the principal Iranian 'player'.

Clarke's scenario points to a future where the conflict tends to be complex and confusing, with many of the attributes of proxy warfare and terrorism. Overall, the strategic order in the Middle East seems unlikely to be characterised by the dominance of state actors to the extent that we would think typical in other regions.

There is a danger for the region in this broader slippage of military capacities (and Arab prestige) to non-state instruments: in a region where the formal political map is composed of artificial colonial boundaries, which don't accurately reflect the complex mosaic of sect, tribe, clan and ethnic identity, the trend could have distinctly divisive effects. King Abdullah of Jordan spoke late last year of the possibility that the Middle East could be facing three civil wars in 2007: in Iraq, Lebanon and Palestine. He was making a case for greater efforts to solve the Israel–Palestinian problem, but pointing also to the larger issues at stake across the region from a looming period of political turbulence. Fragmentation of key political and strategic entities is a distinct possibility.

In Iraq some form of disintegration already looms as a terrible but real possibility. The recent Brooking paper, *Things Fall Apart*, canvassed almost precisely that option, attempting to identify a strategically meaningful and useful role for Coalition forces during a rapidly escalating and bloody sectarian war. Even partition would be no guarantee of peace. Indeed, Judith Yaphe, a former CIA analyst on the Middle East now working at the National Defense University, argues that 'partition is playing with fire', precisely because none will be satisfied with a 'Sunnistan–Kurdistan–Shiastan' divide.[13] The divide might actually encourage neighbours to meddle.

Stabilising and destabilising factors

When we look at the Middle East, therefore, there are worryingly few factors contributing to stability and a worryingly long list of factors contributing to instability. From the discussion above we can see a host of strategic problems: the strategic centre of gravity is shifting in the region empowering new players and marginalising old ones; the Gulf security structure is broken and the broader regional security 'order' ripe for realignment; 'militias' are assuming larger roles, and WMD programs might blossom in quick succession; and sectarianism is on the rise. That's a potent brew to add to a region where the fertility rate is still 3.1, unemployment rates are the highest of any region regularly assessed by the World Bank (15% across the Middle East and North African region) and a third of the population is under the age of fifteen.

Iraq and Afghanistan

It is this broader context that gives the current issue of Iraq its particular importance. Within the Australian debate about Iraq, voices are frequently heard advocating that Australian forces should be withdrawn from

their deployments in southern Iraq and sent to Afghanistan instead. Afghanistan is sometimes touted as 'terrorism central', and advocates of this approach speak of the particular associations between Afghanistan and the September 11 attacks or other major terrorist incidents. Further, they argue that Australians still have a bipartisan approach to the conflict in Afghanistan whereas no such bipartisanship has ever existed in relation to the Iraq conflict.

But in a direct comparison of the 'strategic' importance of the two countries, Iraq looks much the more important of the two. The break-up of Iraq might well lead to a collapse of the security architecture across much of the Gulf region, war between the region's major powers, and disruption to global oil supplies. Moreover, Iraq is the new training ground for radical Islamic terror groups, just as Afghanistan was in the 1980s. Failure in Afghanistan and a return of the Taliban there would certainly be serious, but it would be a strategic blow of lesser magnitude.

Issues for Australia

Australia cannot separate the Middle East from its broader security agenda of a favourable world order. So it will retain an important interest in a Middle East security environment undergoing a profound transformation. Oil-rich Gulf states will be increasingly important within the region, but it seems more than likely that they will be engaged in some form of strategic competition. That competition is likely to contain—at least implicitly and perhaps explicitly—some form of sectarian division between Iran and Saudi Arabia. Since both states are major holders of the world's proven oil reserves, the potential for disruption in the global oil market is relatively high.

In some sense, this strategic competition is already under way, albeit indirectly. Saudi Arabia has recently increased oil supply to help drive the price towards a figure of US$50 per barrel. That price level hurts Iran. It also reminds Washington which countries have traditionally been US friends in the Middle East. The US has begun increasing the size of its strategic national oil reserve. Australia, like other oil importers, will be increasingly drawn towards energy policies that place a lower priority on Middle East–sourced oil, but it will be almost impossible to offset the 'indirect' dependence of our own economy on that vast resource. These are, as yet, only the early signs of a more serious realignment that now seems on the cards. But Australian policies will be shaped by our broader calculations about how such a realignment might affect our own key national interests, including the maintenance of a favourable global order for Western interests and values.

Australia also has an interest in the success or failure of the political reform agenda across most of the Arab world, not least because failure would mean Islamist radicals will continue to have few outlets for their energies within the region. And it has a special interest in the availability of sanctuary 'space' for al-Qaeda in the broken-backed entities that might well emerge where Iraq is presently located, at least as much as it has an interest in the same phenomenon in Afghanistan.

As strategic weight moves eastward in the region, our interests need to focus more on doing what we can to build stability into Persian Gulf security arrangements. There is not a lot of promising material to work with here. And we have only limited capacities to shape outcomes. But at a minimum we need to stay abreast of the strategic transformation that is occurring in the Gulf. Perhaps we can do more to make clear to the countries of the region that Australia—like others—has important interests at stake here, and that we would be willing to work with both regional players and others to

ensure a more stable Gulf. We may need to devise better arrangements for talking to and working with the Gulf states. As an initial step, it might be worth canvassing the option of a 1.5 track dialogue with a select range of regional states: possibly including the United Arab Emirates, and Saudi Arabia in the first instance and—down the track—Iran.

Overall, the Middle East looks like it has entered a difficult period. Australia cannot pretend it has no interests in how the region manages the challenges confronting it.

Strategic challenges and power options

William Maley

Executive summary

Australia has five key strategic interests in the Middle East. First, a general interest in the stability of the region, in which the risk of major armed conflict is low. Second, the effective pursuit of Australian economic interests, particularly as an export market. The region is also critically important for international energy supply, including to our major trading partners. Third, contributing to the disruption of global terrorism. Southeast Asian terrorism is linked to attitudes fuelled by events and circles in the Arab world and amongst Sunni Muslims. Fourth, maintaining effective alliance relations with the US as it seeks to achieve its broader security objectives in the region. Fifth, contributing to controls on proliferation of weapons of mass destruction, with a particular focus now on Iran. While Australia's own hard power is limited in the Middle East, the soft power it has is potentially valuable and should be used in line with our key interests to help promote solutions to the enduring problems that afflict the region.

Australia's military involvement in the Middle East has a long history. Australia has been a generous contributor to peacekeeping, to enforcement action under Chapter VII of the UN Charter, and most recently to military operations in coalition with the USA. At the beginning of 2007, more than 1900 Australian Defence Force (ADF) personnel were deployed in Operations CATALYST (in and around Iraq), MAZURKA (in the Multinational Force of Observers in Sinai), PALADIN (in the UN Truce Supervision Organisation), AZURE (in the United Nations Mission in Sudan) and SLIPPER (in Afghanistan and the Persian Gulf). Of these five operations, it is CATALYST and SLIPPER that are much the most substantial, involving 1400 and 500 personnel respectively. Given the fraught security situations in Iraq and Afghanistan, these are also the operations in which the risk to the safety of members of the ADF is the greatest, and it is far from clear—indeed, in the Iraq case now highly unlikely—that the hopes which initially underpinned those operations will be vindicated. Furthermore, as the USA moves towards a change of administration following the 2008 presidential election, the approach of the US to Iraq and its neighbours may begin to shift, undermining some of the premises on which Australia's deployments have been based.

It is in this context that a fresh appraisal of Australia's interests in the region is warranted. The Middle East is of course a major concern of Australia's principal alliance partner, the United States. But Australia has other interests in the region as well. Instability and conflict in the region have the potential to foster terrorism and contribute to disruption in the world economy. The Middle East is also of direct concern to many ordinary Australians, since Australia includes within its population large numbers of citizens who by dint of cultural, religious, or ancestral heritage are connected to, or preoccupied with, the politics of the region. The need to arrange evacuation of Australians from Lebanon in July 2006 during the Israel–Hezbollah

war, and the death in the same conflict of an Australian serving in the Israeli Defence Force (IDF), provide clear illustrations of this point. Finally, the Middle East is a significant region for states of Southeast Asia such as Malaysia and Indonesia which are members of the Organisation of the Islamic Conference (OIC), and by virtue of their own cultural connections can be affected very deeply by what happens in areas which they regard as culturally important, and to peoples to whom they feel somehow tied.

The aim of this study is to explore some of Australia's key interests, and to reflect on how change in the region might oblige a rethinking of what approaches and instruments of power might best be used to pursue them. The contemporary Middle East is in a period of flux. The prospect of a new US Administration injects fresh uncertainty into the wider context within which Middle East challenges must be confronted. The December 2006 report of the Iraq Study Group chaired by former Republican Secretary of State James Baker and former Democrat Congressman Lee H Hamilton has likewise highlighted very real tensions within the US foreign policy establishment over how the Middle East should best be approached,[14] and while President Bush has for the moment spurned its key recommendations, a future president may be obliged to revisit them. The stakes in the region have scarcely ever been higher, and it is very important that it be approached with analytical precision, rather than on the basis of cultural stereotypes or outdated political imagery and propaganda.

One additional point needs to be made at the outset. It is tempting to see interests as fixed and enduring. This inclination goes back to Viscount Palmerston's famous claim in 1848 that 'We have no eternal allies and we have no perpetual enemies. Our interests are eternal and perpetual, and those interests it is our duty to follow'.[15] However, it is only at a somewhat abstract level that one can meaningfully talk of 'eternal' interests, and even at this level, both elites and citizens may differ over what is more and what is less important. It is to concrete circumstances, to particular issues and challenges, that political leaderships need to respond on a day-to-day basis, and abstract statements of 'eternal interests' frequently provide little useful guidance on exactly how to proceed. Indeed, it can be positively dangerous to approach foreign and strategic policy in a formulaic fashion, as old solutions may not fit new realities. Interests are not set in stone. They may shift as circumstances change.

I. Regional stability

That said, it would be widely accepted that Australia has a general interest in the *stability* of the Middle East, in which the risk of major armed conflict is low, and political systems are both institutionalised, and attuned to respecting the basic rights of the peoples over whom they exercise dominion. Major conflict in the region, especially as it affects major Muslim populations, may reverberate through areas closer to the Australian mainland as distressing images of the victims of war fill television screens and are transported to new audiences through the internet.

The Middle East is a region of the world stretching from the eastern part of North Africa to Turkey, the Caspian Sea and Southwest Asia. It has been a notorious zone of turmoil for decades, and there is little to suggest that this is likely to change in the foreseeable future. A notable theatre of conflict during the First World War, it has witnessed further major wars in the years since: the North African campaigns of the Second World War; the 1948 war of Israeli independence; the 1956 Anglo–French intervention in Egypt; the Six–Day War of June 1967; the Yom Kippur War of October 1973; the Lebanese civil war from 1975–1990 and the

1982 Israeli invasion of Lebanon; the Iran–Iraq war from 1980–1988; the UN–authorised campaign to eject Iraq's forces from Kuwait following the August 1990 invasion; the US–led invasion of Iraq in March 2003; and the Israel–Hezbollah war of July–August 2006. In addition, there is a long history of struggle between state and non-state actors, including two phases of *intifada* directed against Israel's presence in the occupied territories of the West Bank of the Jordan and in Gaza, as well as strikes by various forces against Palestinian refugees and militias in Jordan in September 1970 and Lebanon in the early 1980s. Furthermore, the internal politics of regional states has on occasion been marked by extreme violence, encompassing the assassinations of figures such as Anwar Sadat of Egypt, Yitzhak Rabin of Israel, and Rafik Hariri and Bashir and Pierre Gemayel of Lebanon.

This turmoil defines an agenda of issues and interests for responsible states in the wider world, but it is by no means interstate or internal conflict alone which makes the Middle East a region of peculiar interest. The discovery in the early part of the twentieth century of vast petroleum deposits in states abutting the Persian Gulf set the scene for major Great Power involvement in the region, especially as fossil fuels came to be the dominant energy source supporting high growth rates in industrialised economies during the long boom of the 1950s and the 1960s. And more recently, complex patterns of Islamic radicalisation feeding off both ideological inspiration and concrete problems afflicting the societies and peoples of the region have found more remote theatres in which to operate, most spectacularly with al-Qaeda's attacks in the United States in September 2001, but also with the Bali bombings of October 2002, the Madrid bombings of March 2004, and the London bombings of July 2005. Furthermore, new media such as al-Jazeera are projecting images from the Middle East to remote parts of the planet. In an increasingly globalised world, the Middle East and its problems cannot be wished away.

However, a further set of challenges has also arisen from the failure of attempts to address the region's problems both internally and externally. The Arab–Israeli dispute, which carries potent symbolic overtones for Muslims in many parts of the world, has defied solution, despite the investment of time, energy, and resources through the Oslo process and then the 'Roadmap'. The US–led invasion of Iraq, far from realising the dreams of its idealistic sponsors, has led to disorder in Iraq,[16] new strategic opportunities for Iran, and mounting dismay in the United States. It cost the US Republican Party its majority in both houses of the US Congress in mid–term elections in November 2006, and by the end of 2006 had resulted in more American deaths than were caused by the September 2001 terrorist attacks.[17] Rather than creating a stable democracy, it precipitated a civil war. Iran, perhaps unsurprisingly given the experience of its neighbour Iraq, may well be pursuing a nuclear–weapons capability, and the international community has no easy options in dealing with the challenge that this might pose. Israel is confronted by palpable tensions over different conceptions of its identity as well as a serious loss of confidence in its political elite in the wake of the Israel–Hezbollah war,[18] and states such as Lebanon, Egypt and Saudi Arabia face troubling questions related to internal political stability as weak or authoritarian political systems face the threat of domestic challenge. While some states such as Oman, Qatar, the United Arab Emirates and Bahrain have positioned themselves to take advantage of globalising tendencies in the world economy, human development in much of the Arab world remains decidedly unimpressive,[19] and there

is a risk that latent tensions over ethnic, sectarian and clan identifications, now so tragically obvious in Iraq, could at some point strike the more stable states as well. All in all, the broad situation in the Middle East appears anything but encouraging, and some might argue that it is marked by an atmosphere of almost unparalleled gloom.

The factors that either contribute to stability or militate against it are complex and contested. Internal political developments, tensions and stresses across state boundaries, and major power involvement all impact on the region's politics, and make the crafting of solutions to the region's problems an unusually difficult undertaking. The interests of the actors whose decisions will determine the region's trajectory are shaped by a mixture of geography, historical experience, resource endowments, identities, cultures, values, and ideologies, mediated through widely-divergent political systems and structures.

A central issue of concern remains the Arab–Israeli dispute, which has dominated regional politics since the establishment of Israel in 1948. It is easy to point to other problems in the Middle East which would persist even if the Arab–Israeli dispute were resolved, but none has the insidious impact of this conflict. The Arab–Israeli dispute is deeply entangled in the identities not just of the immediate parties, but of a wide swathe of supporters in different parts of the world,[20] and radical terrorist groups such as al-Qaeda draw on this as part of their recruitment strategy, although they would find other issues to emphasise even if the Palestinian issue were resolved. The main strategic effects of the Arab–Israeli dispute are indirect: as long as it remains unresolved, the potential fruits of enhanced regional integration cannot be fully exploited, and the position of the United States as Israel's principal ally interferes with the effective exercise of Washington's 'soft power' in the wider Middle East. As Dimitri K Simes of the Nixon Center has put it, 'The reason to address the Palestinian problem is not that it would put an end to Shi'a and Sunnis killing each other in Iraq, make Bashir al-Asad an altruist in Lebanon, or persuade the mullahs in Tehran to abandon their nuclear ambitions. Rather, as every moderate Arab leader in the region has told the United States, the perceived American double-standard on the Israeli–Palestinian dispute makes it much more difficult for them to support U.S. positions or to do essential heavy lifting on America's behalf on other issues.'[21] Israel as a member of the United Nations is fully entitled to the range of protections accorded by the UN Charter, including its right to exist within secure borders. Unfortunately, until the Palestinian issue is resolved, a cloud of illegitimacy will hang over Israel in the eyes of a number of its neighbours. As former Israeli Foreign Minister Shlomo Ben-Ami has recently argued, 'When the war of salvation and survival turned into a war of conquest, occupation and settlement, the international community recoiled and Israel went on the defensive. She has remained there ever since'.[22]

The broad outlines of a workable 'land for peace' agreement are reasonably clear, but substantial political obstacles lie in the way of its achievement, as the failure of the July 2000 Camp David summit made clear.[23] The status of Jerusalem, a city of religious significance to Jews, Muslims and Christians, remains deeply controversial. The Palestinian cause long suffered from the maladroit 'leadership' of Yasser Arafat, whose career was littered with political misjudgments and missed opportunities. These were perhaps most spectacularly on display when he bizarrely backed the Iraqi invasion of Kuwait in August 1990. In Israel, the dominance of the Likud Party under Prime Ministers

Menachem Begin (1977–1983) and particularly Yitzhak Shamir (1983–4, 1986–1992) stood in the way of any real progress in dealing with the occupied West Bank and its population. The course of events following the 1993 Oslo Accords and the September 1993 handshake on the White House lawns between Arafat and Israeli Prime Minister Yitzhak Rabin also proved rocky. The assassination of Rabin by a Jewish extremist and the subsequent election of Benyamin Netanyahu as Israel's new leader deprived the Palestinians of a partner in whom they felt confidence, but Palestinian extremists themselves made no small contribution to this outcome, with suicide bombings in the run-up to the May 1996 Israeli election horrifying both the Israeli public and the wider world, and playing straight into the hands of the Likud Party. Indeed, the rise of extreme forces such as the Islamist Hamas movement amongst the Palestinians and various ultra-right wing blocs in Israel,[24] most recently the Yisrael Beiteinu of Avigdor Lieberman, stands in the way of the trust on which a workable settlement depends.

The rise of extremists in turn reflects deeper social complexities—the disgust amongst Palestinians at the corruption and incompetence of some of the more secularised officials associated with the Palestinian Authority established following the Oslo Accords; and the influence on Israeli politics exercised by residents of settlements illegally established by Israel in territories occupied following the Six–Day War,[25] as well as a general drift to the right as the hopes surrounding the Oslo Accords broke down almost totally in the face of the new *intifada* from 2000 onwards. The establishment of a Palestinian state would of course be only the starting point in establishing new regional relations, but it would impose significant disciplines on a Palestinian government eager to establish its credentials as an actor in a world of states. It would also deprive al-Qaeda of one of the rallying points it has used to recruit Muslims to its cause, although the al-Qaeda leadership's hostility to Israel even within its pre–1967 borders would surely remain. Building a new Palestinian state would likely be a process of considerable complexity, which many other states would be called on to help. There could be scope for Australia to contribute constructively to such a process, as it was inclined to do in the immediate aftermath of the Oslo Accords.

It is as yet unclear exactly what the wider long-term effects on the Arab–Israeli dispute of the 2006 Lebanon war will be. Hezbollah, strongly opposed to Israel but also intent on carving a niche for itself in Lebanese politics, arguably emerged strengthened rather than weakened from the conflict. The war also led to the abandonment of the policy of the Israeli Government of Prime Minister Ehud Olmert to pursue unilateral disengagement from the West Bank on Israel's terms, somewhat on the lines of Israel's withdrawal from Gaza during the prime ministership of Ariel Sharon. A clear implication of the 2006 war is that this would offer little guarantee of security for Israel in the long-run. At one level, the outcome of the war did create an opportunity for negotiation between Israel and its neighbours. A barrier in the past has been the fear of Arab elites to be seen to be negotiating with the Israelis from a position of weakness, and Arab leaders who see Hezbollah as simply an Iranian proxy certainly fear its rise, as well as the rise of Shiite Iran more generally. Yet it is also very difficult for Israeli politicians to be seen by their own voters to be negotiating from anything but a position of dominance, and this works against the prospects for any significant breakthrough.

That said, several additional new factors may be at work. If the positive atmosphere which accompanied the December 2006 'summit' between Prime Minister Olmert

and Palestinian Chairman Mahmoud Abbas is sustained, there may be positive spillover effects on regional relations as well, although reports of proposals for new settlement activity in the occupied territories of the West Bank are not encouraging.[26] Much will also depend on the internal politics of the Palestinians: while factional conflict in Gaza has recently been ferocious, the recent statement of exiled Hamas leader Khaled Mashal that 'There will remain a state called Israel' may point to a significant shift in Hamas's position.[27] Finally, in exchange for cooperation with the US over its dilemmas in Iraq, Arab leaderships may demand that the US put real pressure on Israel over the Palestinian issue, with fear of a rising Iran also an underlying consideration. Thus, while the difficulties in overcoming the cognitive barriers to settlement are great, opportunities for progress may surface, and should not be foreclosed by the adoption of a bunker mentality.

A further threat to regional stability emanates from the situations in Iraq and Afghanistan.[28] Defence Minister Brendan Nelson has openly stated that 'There is no such thing as victory in Iraq',[29] and speaking from Washington at the end of January 2007, a former US Ambassador to Israel, Dr Martin Indyk, summed up the situation by observing that 'It's quickly becoming conventional wisdom here that this is the worst foreign policy disaster in the history of the United States'.[30] It has certainly been very effective in revealing the limits of American power. The government of Nuri al-Maliki is significantly besieged, trapped at what the American writer Gertrude Himmelfarb once called the 'dark and bloody crossroads' where religion and nationalism meet.[31] It counts for little that parts of Iraq are relatively untroubled: a government that cannot prevent major bloodshed in its capital is a government in crisis, and Baghdad in recent months has been experiencing deaths every 2–3 days on a scale equivalent to the October 1992 Bali bombings that so seared the Australian psyche.[32] The Bush Administration's proposed deployment of five further combat brigades to Baghdad directly reflects the severity of this problem, although the wisdom of seeking to blame Shiite Iran for disorder in Iraq is questionable given the central role of Sunni Muslim spoilers in both attacks on the Coalition and Iraqi Government, and sectarian attacks on Iraqi Shiite Muslims.[33] Indeed, a sobering National Intelligence Estimate in January 2007 concluded that 'Iraq's neighbors influence, and are influenced by, events within Iraq, but the involvement of these outside actors is not likely to be a major driver of violence or the prospects for stability because of the self-sustaining character of Iraq's internal sectarian dynamics'.[34]

There is no easy solution for Iraq's troubles, since the very presence of the international forces that support the government on a day–to–day basis in its Baghdad redoubt also diminishes the government's credibility as an autonomous national force.[35] Indeed, despite the grim picture painted by President Bush in January 2007 of what failure in Iraq might mean for the Iraqi people, recent polling suggests that a large proportion of the Iraqi public favour a relatively swift withdrawal of US forces. In a survey conducted from 1–4 September 2006, 71% of respondents stated that they would like the Iraqi Government to ask the US–led forces to withdraw within a year, 78% believed that the US military in Iraq was provoking more conflict than it was preventing, and 61% approved of attacks on US–led forces. While large majorities of Shia and Kurds regarded the Iraqi Government as 'the legitimate representative of the Iraqi people', 86% of Iraq's Sunni community did not.[36] It is this implacable Sunni hostility, rather than external actors, which provides

the central thrust of the resistance to the Coalition.

Given that survey data also suggest that President Bush's handling of the situation in Iraq is now widely disapproved by the US public,[37] the achievements of the new 'surge' policy will have to be swift and substantial if it is to prove politically sustainable. Should the new 'surge' policy fail, the United States will have only bad options left from which to choose, and while the consequences might not be as catastrophic as President Bush and Prime Minister Howard fear—as one writer has put it, withdrawal would 'take away the conditions that allow our enemies in the region to enjoy our pain'[38]—it would be wise to plan for a disorderly outcome. Iraq may well slide further into civil war, and containing its effects is likely to prove a demanding exercise.[39] It would be far beyond the military capability of the US and its allies to smother an all-out civil war, and the focus of international support would almost certainly shift to humanitarian assistance. It would be useful if the Department of Defence and the Australian Agency for International Development (AusAID) were to engage in pre-planning to ensure a smooth change of emphasis in this direction, should it be required. Ultimately, however, the United States may well opt for a staged withdrawal of its forces: the case for such a withdrawal is already being openly mounted in US foreign policy circles,[40] and it is likely to be the only option left if the Bush Administration's 'surge' proves ineffective. If it becomes clear that the surge has failed, an Australian Government would be quite justified in withdrawing its own forces, and sooner rather than later. The United Kingdom, some would argue, has already begun to move down this path.[41]

Afghanistan's problems are different but related: there, an internationally-legitimate and locally-welcomed intervention has run into serious difficulty because of a progressive loss of momentum as resources and attention were diverted to Iraq, and meddling from Pakistan increased.[42] Insecurity plagues many parts of the country, including the province of Uruzgan where Australian personnel are serving. International forces deployed in the southern provinces of Afghanistan to assist the process of reconstruction are under frequent attack from well-armed, well-trained 'neo-Taliban'. Kabul is no Baghdad, but Afghanistan now rests on a knife-edge, with the potential once again to become a haven for terrorism and extremism if the situation is allowed to slide further.[43] It is of the utmost importance that the US escalation in Iraq not be at the expense of effective support for the Karzai Government in Afghanistan. While Afghanistan remains a key target of al-Qaeda, in terms of aid it has been very much the poor relation when compared with Iraq: between FY2001/FY2002 and FY2006, US appropriations for Iraq totalled US$318.5 billion, but for Afghanistan only US$88.2 billion.[44]

The internal politics of other regional states can also imperil regional stability. Not one of Israel's neighbours is a consolidated democracy, and Lebanon continues to teeter on the brink of a major internal meltdown. Beyond the Levant, significant doubt clouds the future of Saudi Arabia, a pivotal actor in the international energy market, but—ominously—also a major source of recruits for al-Qaeda. As the election of Hamas demonstrated, there is no reason to believe that rushed 'democratisation' will bring liberal forces to the fore, and the poor developmental performance of autocratic regimes in the Arab world has left ordinary people with a host of frustrations. Ironically, this makes a solution to the Palestinian problem more important than ever, for both autocrats and Islamist forces have successfully exploited this at the expense of forces of moderation.

Australia can contribute to stability in a modest way by specialised contributions to states in need, as it is seeking to do in Afghanistan, but for the most part, the best it can do is quietly advocate the importance of prudence, moderation, and common sense. For example, it can use its good relations with Israel to point to the risks to Israel of its long-term presence in the occupied territories—something of which moderate circles in Israel are by now well aware. While the United States carries vastly more weight in Israel than any other power, Australia as a long-term friend is certainly entitled to give voice to concerns it may have about the trajectory of Middle East affairs. It would also be useful if Australia were to urge caution should voices emerge seeking to promote the use of force beyond the Iraq theatre of operations into Iran. If there is a lesson from Iraq, it is that those who sow the wind tend to reap the whirlwind.

II. Economic interests

Regional stability also contributes to the effective pursuit of Australian economic interests. While not all of these interests should be considered strategic, not least because many of them are private, they are nonetheless significant. Australians have interests in the Middle East as an export market, something which the controversy over the illicit activities of AWB Ltd has recently highlighted. In 2005–2006, the value of Australian merchandise exports to the Middle East was $6.316 billion, of which the largest individual component was sales of passenger vehicles, totalling $2.008 billion. The value of meat and agricultural exports was $1.305 billion, and Australia's exports to the Middle East constituted 4.15% of Australia's total merchandise exports. Imports from the Middle East totalled $3.344 billion, of which the largest single element was crude petroleum, worth $1.324 billion: this constituted 10.63% of Australia's total crude petroleum imports.[45]

This reliance on Middle East oil gives Australia a direct interest in ensuring its steady flow onto the world market. A war involving Iran could easily see shipping disrupted at the Straits of Hormuz, and marine insurance charges rocketing. Serious instability in the Middle East is at the very least likely to be reflected in higher oil prices, with adverse implications for levels of activity in both the world and Australian economies. Fundamentally, however, it is because of the risk to Australia's trading partners that Australia's interests are most significantly involved. The three major destinations for Australian exports are Japan, China, and the Republic of Korea, which together account for 40% of the total. All are in the top ten oil consuming countries in the world, and all are heavily dependent on oil imports—China substantially so and Japan and South Korea almost exclusively so. China's high growth rates and surging demand for energy have contributed directly to oil price rises and increasing petrol prices in Australia. A major disruption in oil supply could produce recessions in these economies that could flow through to Australia because of the significant scale of trade linkages. Of course, oil exporters have significant interests in continuing to secure the revenues that these exports generate, and would not lightly forego them. But in certain circumstances, they might use the threat of disruption as a source of political leverage, perhaps with a view to splitting any nascent networks of states taking shape against them. The case for due caution rather than recklessness in dealing with major oil exporting states is thus a strong one.

III. Terrorism and counter-terrorism

Terrorism poses a threat for Australians as the October 2002 Bali attacks drove home in a tragic way. This gives rise to interests

in cooperating to minimise such threats as exist to Australian nationals. Direct threats to Australians are more likely to arise in Southeast Asia and in Pakistan than in the Middle East itself, albeit under the influence of attitudes fuelled by events and circles in the Arab world and amongst Sunni Muslims.[46] If one defines terrorism as the use of direct violence against non-combatants with a view to producing a psychological effect which is disproportionate to the damage actually caused, it is clear that terrorism in the Middle East has a long history, and has been employed by many different groups. From the terrorists from the Lehi group who assassinated British Minister Lord Moyne in 1944 and UN mediator Count Folke Bernadotte in 1948, to the PLO terrorists who hijacked aircraft and massacred residents of kibbutzim in the 1970s, to the suicide bombers in the late 20th and early 21st centuries, terrorists have caused sorrow and heartbreak, leaving legacies of pain and bitterness which feed into the orientations of both governments and non-state actors. Since the al-Qaeda attacks on targets in the United States in September 2001, the rhetoric of a 'war' on terror and terrorism has come to dominate responses to the use of politically-motivated violence. This has led to serious discussion of what balances, if any, need to be struck between the use of force, directed at the elimination of specific terrorist groups and networks, and the use of politics to address the deeper concerns on which terrorist networks may feed.

While some might deride what they see as undue attention to 'root causes' as a form of appeasement, the tragedy of terrorism is that it is ultimately a *tactic*, and can be employed in service of a range of ends, not all of which need be evil or illegitimate. In many cases, of course, the cause of the terrorist is altogether without merit, and resistance is the only path which a democratic state can take, not least because those terrorist groups such as al-Qaeda which take the form of shadowy networks defy any efforts at reasoned engagement. The leaders of radical groups driven wholly by millenarian or utopian ideology typically inhabit a realm well beyond the reach of effective diplomacy. However, it is rarely the case that ideology alone is successfully used to motivate large-scale terrorist activity: concrete political grievances tend to be prominently emphasised and play a significant part. Even in September 2001, as one author puts it, the terrorists who attacked the United States 'represented the *pooled insurgencies* of the Arab Middle East'.[47]

The situation becomes more complicated where some of a group's demands have some merit, and where there are channels through which constructive engagement might be pursued. Al-Qaeda and its offshoots plainly do not belong in this category, but other groups might. Various Western powers advocated constructive engagement with the South African *Apartheid* regime even though its policies were widely repudiated and it on occasion resorted to the use against its opponents of tactics that would rapidly have been labelled 'terrorist' had they been used by non-state actors. Moreover, the careers of figures as diverse as Gerry Adams, Menachem Begin, and Yitzhak Shamir show that yesterday's 'terrorist' can become today's 'statesman'. In the Middle East, it is quite possible for groups to employ religious vocabulary and symbolism, but at the same time to be focussed on the attainment of concrete political objectives around which a negotiation process can be structured.[48] The use of ostensibly simple categories such as 'jihadist' can all too easily blur distinctions which it may be crucial to draw.

There are clearly huge dangers in forms of engagement that simply serve to legitimate a group's use of terror tactics. However, where political wings of groups can be engaged,

it may be imprudent to miss diplomatic opportunities that engagement can offer, although the case for pursuing such contacts behind the scenes rather than publicly is a strong one.[49] Any engagement must focus on conveying the message that terrorism is both deeply immoral, and likely to be politically counterproductive in the long run; the responses of such political wings will then determine how much further an exercise in engagement can be carried. The groups which need to hear this message are Hamas and Hezbollah[50], not least because each is a legitimate political actor in the eyes of an important and genuine constituency in the region.[51] At present, the position of actors such as the European Union is to decline contact with Hamas unless it recognises Israel, renounces the use of terrorism, and accepts previous Israeli–Palestinian agreements; and the agreement to form a Palestinian 'national unity government' has not shifted them from this stance. However, if Hamas begins to shift its positions further, the temptation to begin to engage it with a view to drawing it towards an acceptable stance may be considerable. If engagement with such groups assists in reaching workable solutions to disputes which have fed terrorism in the past, the net contribution to reducing terrorism may be positive.

While cooperating with Middle East states to strike at terrorist groups may bring some rewards, it also carries risks, notably that regional governments may well employ tactics which are an affront to core liberal principles such as the rule of law, something highlighted by the claims of former Guantanamo inmate Mamdouh Habib that he was tortured while in Egyptian custody.[52] For this reason, there may be practical limitations on what Australian counter-terrorist actions can directly achieve in the Middle East. While we may counsel prudence to our friends in the Middle East, it is in Australia's immediate region, where significant benefits have flowed from cooperation between the Australian Federal Police (AFP) and the Indonesian police, that scarce resources might best be deployed. Within Australia, it is very important to ensure that groups such as al-Qaeda and its offshoots are unable to recruit for terrorist purposes amongst the fanatical or the foolish, or obtain funds to sustain their activities.[53]

Both Iraq and Afghanistan, theatres in which Australian personnel are serving, remain potentially troubling venues in which terrorists can flourish, but there is a strong case for arguing that the core al-Qaeda leadership of Osama Bin Laden and Ayman al-Zawahiri, most likely operating from what the-then US Director of National Intelligence John D Negroponte called a 'secure hideout in Pakistan',[54] is a far more serious long-term terrorist threat than the hard-core Sunni extremists in Iraq who were led by the late Abu Musab al-Zarqawi. However, to the extent that Australia can contribute to effective counter-terrorism activities in such theatres, it is by assisting more broadly in the consolidation of new political institutions, since the ADF and AFP are not significantly equipped with the language skills to engage directly in a major program of counter-terrorism operations and lack well-established counterpart organisations with which to work. That said, while in Afghanistan, the opportunity to consolidate effective new political institutions is still available, in Iraq it may already have been lost.

IV. The American Alliance

Australia's recent involvement in the Middle East cannot be properly understood without reference to Australia's longstanding alliance with the United States, a power with a long history of involvement in the Middle East.[55] The Australian–American alliance embraces not just formal responsibilities under the 1951 ANZUS Treaty, but a wider raft of

political ties. The centrality of the alliance to Australia's strategic position and longer-term security is a matter of broad agreement between the government and opposition in Australia. Australia's direct deployment in Iraq arguably owes more to the management of its strategic relationship with the United States than to direct interests in that state *per se*: indeed, the purely military commitment has been quite modest, especially when compared to the rhetoric by which it has been surrounded.[56] Asymmetric alliances can offer weaker states some prospect of assistance in times of urgent need, but they do run the risk of exposing those weaker states and their populations to the danger of attack (particularly by unconventional or terrorist means) through association with the actions of the stronger power. This is not an argument against assuming such risk where it is necessary to do so for the sake of world order or in legitimate collective self-defence, which was the case when Australia supported the United States in responding to the Iraqi invasion of Kuwait in 1990 and the September 2001 terrorist attacks on the United States. It is, however, an argument for recognising that alliance relations are complex, with potential risks that may outweigh their benefits if a partner to the alliance begins to behave in a reckless or provocative fashion.

Whether contributing troops to undertakings such as the 2003 invasion of Iraq—a war of choice rather than a response to armed attack—is the best way of serving as an effective alliance partner is a matter which may well be increasingly debated. There can be little doubt that the Iraq commitment won the Australian Government the attention of significant circles within the Bush Administration. However, the impact of the Australian commitment should not be overstated. Four other aspects of this problem deserve attention, and highlight the peril of appraising alliances from sentimental rather than realistic perspectives. First, the influence derived from Australian participation in the invasion of Iraq did not prove especially fungible when it came to such important issues as the possible Australian purchase of the F-22 fighter aircraft.[57] Second, Australia's relatively closer relationship with Washington arose in part because other states opted to distance themselves from the policies of the Bush Administration, raising the question of whether Australia would retain a privileged position if those states moved to boost their relations with Washington at some point in the future. Third, constitutional term limits in the United States mean that the US will acquire a new president no later than January 2009, and possibly one with a markedly different approach to the Middle East from that which the Australian Government has followed the American lead in adopting, especially on the issue of Iraq. For example, as is now well known, one of the most prominent Democrat aspirants for presidential nomination, Senator Barack Obama of Illinois, has been a longstanding and consistent critic of the Iraq deployment[58] and favours the managed withdrawal of US forces. Fourth, Australia's involvement in exercises such as the invasion of Iraq certainly raises the risk that Australians will be targeted for terrorist attack, although this is not of course to suggest that some such risk did not already exist as a result of Australia's involvement in the ejection of Iraq from Kuwait in 1991 and the overthrow of the Taliban in 2001.

As the end of the Bush Administration approaches, it may therefore be opportune to revisit the question of whether it is in Australia's continuing interest to be so active in what former British Foreign Secretary Lord Hurd has called 'Coalitions of the Obedient'.[59] Australia can arguably play a better role as a good but *discriminating* friend, giving voice to hard truths even if they are not immediately palatable in Washington, and withholding support for ill-considered wars of choice.

Saying no to a friend is not necessarily an act of betrayal: it can send a signal from which the friend ultimately benefits. One option Australia might consider is that of focusing less on Iraq and more on Afghanistan, from which Australia withdrew precipitately from 2003, only to return with an ADF contribution to a Provincial Reconstruction Team in 2006. In Iraq, the security situation is so disastrous that it is debatable whether Australia's military contribution can make any real difference to the fate of the country in the long run. In Afghanistan, where the need for international involvement in the post-9/11 environment has never been especially controversial, the redeployment of some of the troops currently based in Iraq could have a positive and possibly decisive effect in a key province like Uruzgan. Such a move would secure bipartisan support within Australia.

One useful further step to take might be to encourage Washington in the Middle East to give more weight to 'soft power' than to military endeavours. A real tragedy of the post-9/11 era is that the international sympathy for and goodwill towards the United States that al-Qaeda's attacks evoked has dissipated not only in the light of the involvement of US combat forces in Iraq, but also as a result of such developments as the controversial operations at Guantanamo Bay, and the abuse of some detainees at the Abu Ghraib prison.[60] The growth of anti-Americanism in the Arab Middle East is particularly marked.[61] To radical critics of the alliance, this would provide reason enough for Australia in its own interest to put some distance between itself and the US. A better approach, however, would be to use Australia's access to advocate a more nuanced approach to Middle East complexities.

There are limits to how far this might be taken. One cause of anti-Americanism in the Arab world is the conviction that the US is a source of uncritical support for the actions of the government of Israel,[62] and there is no doubt that bipartisan support for Israel in the US Congress fuels the perception that US policy is significantly influenced, if not ultimately determined, by an energetic neo-conservative lobby of pro-Israeli figures and pressure groups. The practical reality is certainly more complex: key policymakers such as Vice-President Cheney, and former Defense Secretary Donald Rumsfeld, are not neo-conservatives, and neo-conservatism as a foreign policy orientation is probably on the wane as a result of the Iraq debacle. Furthermore, the US *is* on occasion critical of Israel.[63] Nonetheless, Australia could justifiably distance itself from some American positions, and commend a reconsideration of these positions to Washington as well.

This is particularly the case in respect of Israeli settlements in the occupied territories, which have a significant symbolic impact on the attitudes of Arab populations in the Middle East. It is entirely appropriate to support Israel when it deserves to be supported—not only if it is facing a genuinely existential threat, but also if it is exercising self-defence in accordance with Article 51 of the United Nations Charter in a manner proportionate to the threats it faces. But tolerance for the settlements is a recipe for the erosion of the soft power of Western states in the wider Middle East, and does little to boost the position of Israeli moderates.[64]

One point where Australian and US interests do coincide is in a shared commitment to the benefits that meticulously-crafted processes of democratisation can offer Middle Eastern states. Exercises such as the UNTAG mission in Namibia in 1989, followed by the successful transition to democratic government in a number of East European states after the fall of the Berlin wall, led to great optimism about a 'Third Wave' of democratisation. This optimism has abated somewhat: elections

are divisive exercises, and have notably failed to stem a slide to violence in Iraq, but Australia has a strong record of supporting democratic processes through the provision of technical assistance. Australian personnel have contributed their expertise to electoral processes in Iraq and Afghanistan, and won the respect of the US in the process. There may be opportunities for further support of this kind in the Middle East, as long as the foundations are laid with care.

V. Non-proliferation: the case of Iran

Australia has been a vigorous supporter of non-proliferation initiatives in recent years, as reflected in the work of the Canberra Commission on the Elimination of Nuclear Weapons, and the promotion of the Comprehensive Test Ban Treaty. While the failure of 'Weapons of Mass Destruction' (more specifically, chemical and biological weapons) to be found in the aftermath of the invasion of Iraq provoked re-evaluation of intelligence capabilities in a number of Western states, the issue of Iran's nuclear program remains at the forefront of international discussion. This is not simply because of any immediate threat that a nuclear-armed Iran might pose to another state, but also because Iran's acquiring a nuclear weapons capability would threaten the global non-proliferation regime constructed around the 1968 Non-Proliferation Treaty, to which Iran is a party, and could trigger arms-racing on the part of other states of a kind that would threaten that regime still further. On 23 December 2006, the UN Security Council through Resolution 1737 imposed a range of mandatory sanctions on Iran, explicitly designed to induce it to cooperate with the efforts of the International Atomic Energy Agency (IAEA) to verify that Iran's uranium enrichment activities are for peaceful purposes only. Given that such decisions are binding on UN member-states under Article 25 of the Charter, Australia, appropriately, took immediate steps to implement the terms of the Resolution through domestic law.

The position of Iran in the contemporary Middle East has proved a particularly challenging matter, not least because its population is largely made up of adherents of the Shiite school of Islam, which is a minority sect in most states of the Arab world. The Iranian revolution of 1979 led to the establishment of a theocratic Islamic republic, albeit with a number of more pluralist elements, including the holding of elections with the choice of candidates restricted by a vetting process, but a degree of discretion nonetheless permitted to voters. The late 1990s coincided with a marked degree of deradicalisation, especially during the presidency of Mohammad Khatami (1997–2005), but the election to the presidency in 2005 of the populist Mahmoud Ahmadinejad led to new bursts of superheated rhetoric directed at Israel and the United States, and drew fresh attention to the implications of Iran's nuclear program.

Analysis of Iran's aspirations is complicated by two problems. The first is the problem of interpreting Iran's intentions. Given the complex interplay of political forces and institutions in Iran, the Ahmadinejad presidency could be a passing phase.[65] Furthermore, nuclear weapons can have both offensive and deterrent uses, and on any realist account, Iran's case for a deterrent is a strong one. As the Israeli strategist Martin van Creveld has written, 'Remembering what happened to Saddam Hussein, who was attacked and destroyed for no very good reason, some would say that, if ever a country had good reason to go nuclear as fast as it could, it was Iran in 2003'.[66] Nor is it obvious that an Iranian leadership is likely to be so irrational as to be beyond deterrence.[67] But

that said, Ahmedinejad's reported rhetoric, while not much more than an echo of some of Ayatollah Khomeini's pronouncements, has stoked fears of a new Hitler, which his hosting of a collection of crackpot Holocaust deniers at a conference in Tehran in late 2006 did nothing to dispel. Fear of Shiite Iran is by no means limited to Israel and its allies: Sunni Muslim elites in the Middle East are also apprehensive about the rise of Shiism, a rise which the US's Iraq operation has markedly facilitated.[68]

The second is the problem of crafting a response to Iran's nuclear program. It would only be prudent, despite Iran's denials, to assume that it is working towards the acquisition of a nuclear weapons capability, although control of such weapons would most likely be in the hands not of the President, but the Supreme Leader (*Vali-e faqih*), currently Ayatollah Ali Khamanei. But even if one accepts that Iran aspires to go nuclear, it is not clear that forceful action is best taken now, or at all. In 2005, it was reported that a new official National Intelligence Estimate in the US had concluded that Iran was about ten years away from manufacturing a key ingredient for a nuclear weapon.[69] The model of Israel's 1981 air strike against the Osirak reactor in Iraq is not an attractive one. As Iraq's subsequent behaviour showed, uranium enrichment can be carried out in a dispersed fashion, and it was damage during the 1991 war, followed by intrusive inspection activity after the war concluded—rather than just a single strike from the air—that put Iraq's program out of action. A strike against Iran could well rebound against US forces, most immediately in Iraq, where Iran has considerable underutilised spoiler capacity. It could also give Ahmadinejad a nationalist issue to help distract attention from his failure domestically to meet the frustrated economic expectations which his populist campaign in 2005 exploited—a failure on display in the 15 December 2006 Iranian elections for the Assembly of Experts (*Majles-e Khebregan*) which saw moderate candidates making significant gains. In the short and medium term, a rigorous policy of deterrence enunciated by the United States may be the best to pursue,[70] not simply for the sake of immediate regional security, but also as a way of dissuading Sunni states such as Saudi Arabia from seeking their own nuclear weapons capabilities.

It may also be that the appropriate question to ask is not whether the wider world can stop Iran from going nuclear, but rather what policy approaches will best help ensure that such weapons, if they are developed, fall into the hands of moderates rather than extremists, or are eventually relinquished. There are indeed moderates in Iran, of whom President Khatami was one example.[71] It is a great pity that the opportunity to engage with Iran was rejected rather than seized during the period of Khatami's presidency.[72] A policy of engagement, at least in a post-Ahmadinejad era, may be worth investigating,[73] complemented by a mix of negative and positive incentives of the sort which helped draw Libya back from the brink of going nuclear,[74] and contributed to the recent hopeful outcome of the Six–Party Talks over North Korea's nuclear weapons capability. Australia, which has long-established ties with Iran, could constructively contribute to such engagement through 'Track II' diplomacy.

In this context, the credibility of those states that might seek to engage with Iran would be enhanced if they were to take seriously the frustration in parts of the Middle East over the West's silence regarding Israel's own advanced nuclear weapons capability.[75] Given Ahmadinejad's rhetoric, there is understandably no prospect that any Israeli leadership would agree in the foreseeable future to abandon this capability and nor should it be expected to do so in the current

international climate. Nonetheless, a US nuclear umbrella plainly extends to Israel to deter any existential threats, and the lessons of the 1991 Gulf War, in which Israel came under Scud missile attack from Iraq, and of the 2006 conflict with Hezbollah, are that nuclear weapons are of no value in dealing with asymmetric threats. In the long-run, a serious focus on proliferation requires that Israel's nuclear weapons capability at least be on the table for discussion, if only to put paid to the notion that Western promotion of an ideal of non-proliferation is hypocritical. This might best be conducted in a framework which included attention also to other non-NPT states such as Pakistan and India.

VI. Conclusion

Realistically, Australia is not at all a major military player in the Middle East, and it is at the margins rather than at the centre of policy that it enjoys some room for constructive action. This will remain the case for the foreseeable future, given the pressures to deploy ADF resources in Australia's immediate region where there are significant problems to be addressed. Nonetheless, this does not close off the opportunity for Australia to act shrewdly and strategically in the region, and on occasion to put a case for caution to our friends or allies.

A standard definition of strategy focuses on 'the use that is made of force and the threat of force for the ends of policy'.[76] This is useful in its attention to the relation of means to ends, but it does not capture the full range of resources that states can deploy to advance their objectives. Military force and economic strength are of course potential assets, but a range of recent studies have highlighted more subtle sources of power that can be deployed. A concept which has surfaced at various points in this essay is that of 'soft power'. Initially developed by the American political scientist Joseph S Nye, it embodies the important lesson, in his words, that a 'country may achieve the outcomes it prefers in world politics because other countries want to follow it or have agreed to a system that produces such effects'.[77] If such a conception is then linked to an understanding of the myriad sources of legitimacy in a complex world, it can be the basis for the effective realisation of at least some key objectives without the need for large military deployments.

Soft power has been a neglected asset in dealing with the Middle East, and it urgently needs to be revived. While Australia's own 'hard' power is limited, the soft power it has is potentially valuable and should be used in line with Australia's key interests to help promote solutions to the enduring problems that afflict the Middle East. This can only come through carefully-constructed engagement with actors in the region, and with our friends in other parts of the world that share our concern at developments in the Middle East region. Such engagement should not be fitful, but should form part of a process of deepening and enriching Australian contacts with a very important part of the world. In this way, we may be able to deal more effectively in the long run both with firm friends and potential enemies.

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