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### **Creative and uncomfortable policy choices ahead**

An incoming Australian government will need to assess the changed global nuclear environment and develop strategic policy options to protect and project our interests. Some of these options may be controversial and unpopular.

Nuclear weapons proliferation and the threat of weapons of mass destruction in the hands of terrorists are at the top of the global security agenda. Global demand for nuclear energy is a significant, if partial, solution to the global problems of climate change and has put pressure on the comparatively contained nuclear world we have lived in so far. These and related developments have implications for Australian policy settings over the next five years. They traverse our non-proliferation policy, its intimate relationship with our role as a major supplier of uranium, our strategic relationships with the United States and major Asian powers, and our own decisions on the role nuclear weapons will play for the future security of Australia.

Australian nuclear policy was shaped by the strategic circumstances of the 1970s. The policy saw no sustainable case for the development of an advanced indigenous nuclear capacity, and saw Australia leading the world in implementing strict, best-practice standards for the export of uranium. Australian nuclear policy was premised on the belief that by becoming a significant player in the nuclear fuel cycle we could play a meaningful role in the international non-proliferation regime (without needing to accept any of the unpalatable by-products such as returned nuclear waste). It was also premised on the belief that the legal regime of the Nuclear Non-Proliferation Treaty (NPT) signed by most nuclear and non-nuclear countries provided a sustainable framework to deal with proliferation.

The Switkowski enquiry into Australia's nuclear future and parliamentary enquiry into uranium exports cover only part of the territory facing the next Australian government. For one, the Switkowski report is premised on the international proliferation environment remaining stable, which it is not.

Global proliferation threats from weapons of mass destruction (WMD) are on the rise. The pressure of nuclear proliferation is the most intense. This encompasses North Korea and Iran's ambitions as well as the strategic modernisation of the nuclear forces by the established nuclear powers. Great power strategic tension and competition is increasing. As US/China strategic competition grows in our region, the US has engaged India as a strategic counterweight to China. The US/India nuclear cooperation agreement is a concrete expression of that approach.

If the US-India deal succeeds we will see the emergence of the first acknowledged nuclear great power outside the NPT, with Australia possibly supplying uranium to it. If the North Korean and Iranian programs cannot be managed, we may have as many nuclear-weapon states outside the NPT as within it. And if geo-strategic change in the Middle East and North Asia continues along its current trajectory, several countries in the region may feel pressured to rethink the nuclear positions they established in the late 1960s and early 1970s.

The NPT's authority is being eroded by friends and foe alike. Lack of compliance with its disarmament provisions; perceived rewards for bad behaviour or for staying outside the regime altogether; insistence on the 'inalienable rights' of states to develop nuclear energy which shortens lead time to breaking out of the treaty; ease of withdrawal from the treaty and lack of effective enforcement or selective enforcement through the Proliferation Security Initiative (PSI) are key examples. The NPT seems too rigid and inflexible to deal with today's strategic realities. Still, we are afraid to amend it, lest its remaining authority unravel completely.

It is important not to overstate the threat and to grasp the opportunities offered by the current situation. The world is not (yet) awash with nuclear-armed states. Most of the states of concern within and outside the NPT were already identified a few decades ago, and some have disarmed. And those which have the weapons do not want others to have them. Now is the time to engage countries which have stayed outside the NPT to support the global non-proliferation enterprise, and to modernise the network of nuclear governance instruments.

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Australia should play a role in this process of renewal. A country of our size continues to have strong interests in a stable, functioning international rules-based system to deal with the global nuclear proliferation threat. Australia has a proven record in shaping international policy and proliferation control mechanisms for all classes of WMD. This is an area where Australian interests, know-how and record give us an opportunity to shape the debate and the rules.

We need to focus on areas where we have real prospects of influencing outcomes. We play a limited role in the current crisis surrounding Iran's nuclear ambitions, nor do we have a leading role in preventing nuclear terrorism.

As holders of 40% of the world's known reserves of uranium in a world hungry for clean energy, we have leverage which we should not waste. However matching our non-proliferation interests with our broader strategic and economic interests is a challenge for future Australian governments. It is tempting for Australia to take advantage of a window of opportunity to meet the demand surge now. Renewed interest in nuclear power worldwide may accelerate exploration efforts and our competitive advantage may be relatively short-lived. This increases pressure on us to act quickly to accelerate uranium exports, with consequences for our non-proliferation policy.

This is already happening. Uranium exports to China and Russia fall within the strict letter of the law, but are not in the spirit of our restrictive policy of the past, which favoured countries with solid non-proliferation records. Uranium sales to India make sense given its voracious energy needs. Indian access to efficient energy sources with a low carbon footprint is important to all of us. Yet the deal has undermined our wider non-proliferation objectives because it has asked for very little in return. It goes to the heart of the letter and spirit of our nuclear export policy and will have a major impact on the integrity of the global regime controlling nuclear trade, given Australia's high-profile promotion of best practice controls.

Australia is a member of the Nuclear Suppliers Group (NSG) which harmonises export controls on sensitive nuclear and dual use equipment, materials and technologies to prevent their diversion

to non-peaceful use. Those guidelines include NPT membership for all countries other than the established five nuclear powers as a prerequisite to nuclear supply. Australian and US sales of uranium to India are linked, among other things, to the NSG's agreeing to exempt India from its guidelines.

Quite literally, the NSG's decision will depend on what conservative suppliers like Australia and Canada decide to do. It is possible that the NSG will formally consider this matter within the next eight months, making it the first really sensitive nuclear policy action an incoming Australian administration will have to manage. India knows this. If Australia reneges on the deal or opposes granting an exemption of the NSG guidelines, it may put India/Australia relations in the freezer for some time. An incoming government should review the opportunities presented by uranium sales to India to extract firm commitments which at least match those of the official nuclear weapon states and which engage India in strengthening the global non-proliferation regime through concrete measures such as the cessation of nuclear testing and support for Fissile Materials Cut-Off Convention negotiations.

An Australian nuclear policy review will require a hard-headed assessment of whether the NPT is up to contemporary challenges and whether the current enforcement mechanisms are adequate. We need to think of ways to renew the effectiveness of the NPT without hastening its collapse. If we cannot amend it, how do we broaden its inclusiveness and effectiveness — e.g. by creating a new category of Protocol states for India, Pakistan and Israel? We will need to conduct a careful cost benefit analysis of maintaining strict export control regime standards versus a more pragmatic approach which brings outsiders into the camp of proactive non-proliferators.

If we want to gain economically from the emerging nuclear age, while continuing to support non-proliferation, we must be willing to consider some unpopular decisions, such as taking back nuclear waste, for which Australian geological structures are highly suited.

We can reinforce the logic of nuclear restraint by forswearing the option to enrich uranium. It does not make economic sense and would send the wrong signal to the world and our region. Regional fuel

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supply arrangements under IAEA supervision are a more palatable option.

Our diplomatic credit with the US and China can be used to urge them to stabilise their strategic relationship and to prevent a nuclear arms race in our region from which no one is likely to gain. Our influence is more limited when it comes to the larger question of nuclear disarmament, although we can certainly urge the nuclear-weapons powers to revive the spirit of Reykjavik as called for in the Wall Street Journal article, A World Free of Nuclear Weapons, signed by Kissinger, Schultz, Perry and Nunn.

Other, more visionary policies also warrant further study. A 'Manhattan Project' for meeting global energy needs which are environmentally sustainable and proliferation neutral is no longer a fanciful notion.

A thorough nuclear policy review should also consider which strategic circumstances might lead to Australia's revisiting the nuclear weapons option. As extreme as this may sound, failure to sustain and strengthen our current non-proliferation regime may force us to consider such an option. In the current strategic circumstances, no government could leave such an eventuality entirely out of mind.