

**Article Title:** “Refashioning Australia’s Nuclear Bargain? The Challenges of Changing Strategic, Regime and Market Environments”

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**Abstract:** This paper presents an initial exploration into the challenges that Australia faces in reconciling its commitment to non-proliferation and uranium exports within an international context characterised by an international nuclear non-proliferation regime under major stress and a bullish world uranium market. The paper argues that Australia’s grand bargain, that has framed Australian participation in the non-proliferation regime and the nuclear fuel market since the 1970s, was only tenable in an era of stagnant uranium demand and a stable nuclear balance. However, contemporary nuclear proliferation dynamics and the revival of interest in nuclear energy has accentuated the incompatibility between Australia’s commitment to non-proliferation and the desire to profit from uranium exports. The contemporary international strategic environment, international non-proliferation regime and nuclear energy market are characterised by developments that not only undermine the basis of Australia’s “grand bargain” but also present challenges and opportunities for the refashioning of Australian policy.

## **REFASHIONING AUSTRALIA'S NUCLEAR BARGAIN? THE CHALLENGES OF CHANGING STRATEGIC, REGIME AND MARKET ENVIRONMENTS**

Former Australian Prime Minister John Howard's "Uranium Mining, Processing and Nuclear Energy Review Taskforce" (UMPNER) delivered its draft report to the Department of Prime Minister and Cabinet on 21 November 2006. The taskforce was charged with developing a "comprehensive review" of uranium mining and processing, and the potential contribution of nuclear energy in Australia into the future. Meanwhile its terms of reference considered three major issue areas: economic, environment and health, and safety and proliferation.<sup>1</sup> The taskforce's draft report concludes that nuclear power is a "practical option" for Australia, projecting that with government subsidies a nuclear energy industry could be online by 2015. More significantly for the subject of this paper, however, the draft report also makes the economic case for not only the expansion of uranium mining but also for the development of downstream steps of uranium conversion, enrichment and fuel fabrication that it maintains could add "a further \$1.8 billion of value annually" to the Australian economy.<sup>2</sup> However, the implications of such an expansion of Australia's role in the nuclear fuel cycle for its position/role in the international non-proliferation regime and the global strategic environment more generally appear to be an under-examined facet of the draft report. If Australia in fact embarks upon the nuclear journey suggested by the draft report in the near future, it will represent a profound departure from Australia's "traditional" approach to the issues of nuclear energy and nuclear proliferation.

This paper presents an initial exploration into the challenges that Australia faces in reconciling its commitment to non-proliferation and uranium exports within an international context characterised by an international nuclear non-proliferation regime under major stress and a bullish world uranium market. The paper argues that Australia's grand bargain, that has framed Australian participation in the non-proliferation regime and the nuclear fuel market

since the 1970s, was only tenable in an era of stagnant uranium demand and a stable nuclear balance. However, contemporary nuclear proliferation dynamics and the revival of interest in nuclear energy has accentuated the incompatibility between Australia's commitment to non-proliferation and the desire to profit from uranium exports. The contemporary international strategic environment, international non-proliferation regime and nuclear energy market are characterised by developments that not only undermine the basis of Australia's "grand bargain" but also present challenges and opportunities for the refashioning of Australian policy. It will emerge from this analysis and discussion that Australia's interests across each individual realm are not consistent with each other but present contradictory and sometimes mutually exclusive policy choices. The paper will conclude by briefly postulating how these competing or conflictual interests may be reconciled or balanced in a possible recasting of Australia's nuclear strategy. Prior to this, however, it is necessary to first briefly outline what could be termed Australia's "traditional" approach to the issues of nuclear proliferation and Australia's role in the global nuclear fuel cycle.

### ***The Evolution of Australia's Nuclear "Grand Bargain"***

Australia was an early witness to the nuclear age when it assisted British nuclear testing during the 1950s. Successive governments discussed the option of developing nuclear weapons until, under pressure from Washington, the Gorton government (1968-1971) shelved the idea and sought shelter under the American deterrent umbrella.<sup>3</sup> Meanwhile, Australia's enjoyment of successive commodities export booms had alerted many to the potential earnings from capitalising on Australia's luck in possessing the largest recoverable uranium deposits in the world. Indeed, the impact of the conclusion of the Ranger Inquiry in 1977 that Australia, in the event of deciding not to export uranium, would not only be in breach of Article IV of the NPT but also be likely to "adversely affect its relation to countries which are

parties to the NPT” guided Australian policy over the next two decades.<sup>4</sup> Since that time successive governments, both Labour and Coalition, have justified Australia’s role as a supplier of uranium on inter-related legal, strategic and normative grounds.

Thus, Australia’s position regarding the issues of nuclear proliferation and Australia’s role in the nuclear fuel cycle has been characterised by a bi-partisan consensus that the nuclear non-proliferation regime, based on the Nuclear Non-Proliferation Treaty (NPT) and the International Atomic Energy Agency (IAEA), provided the best instruments to prevent the spread of nuclear weapons in the international system and regulate the nuclear energy market. Australia’s acceptance of the “grand bargain” between the Nuclear Weapons States (NWS) and the non-Nuclear Weapons States (NNWS) embodied in the NPT - that the NWS in return for the forswearing of the nuclear option by the NNWS would facilitate the exchange and development of the “peaceful” applications of nuclear technology - was made on the basis of inter-related strategic and normative grounds.<sup>5</sup> Strategically, Australian governments drew a link between the behaviour of the nuclear weapons states (NWS) regarding proliferation and that of the non-nuclear weapons states (NNWS) parties to the NPT, arguing that proliferating restraint on the part of the NWS would result in similar restraint on the NNWS in seeking nuclear weapons.<sup>6</sup> Moreover, Australian support for the norm of nuclear non-proliferation was also seen as bolstering the purely strategic concerns underpinning accession to the NPT.

These factors contributed to successive governments accepting the position that only by becoming and remaining involved in the nuclear fuel cycle could a NNWS such as Australia exert any influence on the direction and strategic implications of the non-proliferation regime. From the mid-1970s the three pillars on which Australia’s “grand bargain” rested were (i) to use exports of its uranium reserves to establish its status as a NNWS with a significant role in

the international nuclear fuel cycle; (ii) to use its exports policy to set an example of strengthening non-proliferation through strict bilateral export controls – and later to multilateralise these through the Nuclear Suppliers Group; and (iii) to use its status and commitment to export controls to extend comprehensiveness of the non-proliferation regime, activism to expand the membership of the NPT and add supplementary agreements such as the Comprehensive Test Ban Treaty (CTBT).

The Hawke-Keating governments (1983-1996), for example, built on the Fraser government's (1975-1983) implicit articulation of Australia's approach to these issues. Thus, the Hawke-Keating governments placed emphasis on the exemplary role that Australia could play in upholding the NPT while maintaining Australia's right to benefit from the "peaceful" uses of nuclear technology.<sup>7</sup> As such they placed importance on reinforcing the safeguards and pre-conditions of uranium supply, especially the pre-requisite of NPT membership, in order to be strategically placed to encourage other states to do so. This was coupled with the investment of considerable diplomatic resources to raise Australia's profile and role in international, UN-sanctioned non-proliferation processes, such as the five-year NPT review conferences.<sup>8</sup> Australia's commitment to the NPT during this period was also demonstrated by its active lobbying for the indefinite extension of the treaty in the early 1990s. The underlying assumption of the Hawke-Keating approach was that only by the NPT parties (both NWS and NNWS) displaying a unified purpose regarding proliferation would it be possible to persuade states outside of the treaty to accede.<sup>9</sup> Another aspect of Australia's approach to the existing non-proliferation regime during these years, especially during Gareth Evans' tenure as Foreign Minister, was a rhetorical commitment to see the NWS move toward the goal of nuclear disarmament as outlined in Article VI of the NPT, and expressed in the convening of the "Canberra Commission on the Elimination of Nuclear Weapons" in January 1996.<sup>10</sup>

The election of the Liberal Coalition government under the leadership of John Howard in March 1996, however, augured a change in the style of Australia's approach to the issue of non-proliferation and participation in the international non-proliferation regime. Although the Howard government accepted Australia's "grand bargain" and upheld the three pillars of Australia's traditional approach to nuclear issues outlined above, it exhibited an inclination to downplay the previous government's emphasis on multilateral diplomacy. The new government's acceptance of Australia's traditional approach was demonstrated at Foreign Minister Downer's first address to the United Nations General Assembly (UNGA) in September 1996, in which he reaffirmed the three pillars of Australia's approach: upholding of the NPT and support for the IAEA, bilateral agreements with other NPT parties and participation in the multilateral non-proliferation regime. A major illustration of the continuity between the Howard government and its predecessors in this regard, was its commitment to and promotion of a Comprehensive Test Ban Treaty (CTBT) that was passed by the UNGA on 12 September 1996.<sup>11</sup> Significantly, however, the Howard government placed far less importance than previous Australian governments upon the promotion of the goal of nuclear disarmament in the practice of Australian diplomacy. In part this was determined by Prime Minister Howard's commitment to strengthening the bilateral relationship with the US, as the Hawke and Keating government's pursuit of nuclear disarmament had at times engendered tensions within otherwise strong Australia-US ties.<sup>12</sup> The eclipse of the goal of nuclear disarmament was demonstrated through the Howard government's lukewarm reception of Labour's major legacy in this respect – the report of the Canberra Commission. While Foreign Minister Downer presented the report to the 30 September 1996 meeting of the UNGA and the January 1997 meeting of the Conference on Disarmament (CD), it was done

with an evident lack of enthusiasm. Indeed, two observers reflecting on Foreign Minister Downer's performance asserted that:

Under different circumstances, it might have been expected that the sponsoring government would have had the Report adopted as a document of the Conference and used it as the basis for a resolution calling for the establishment of a committee to discuss nuclear weapons elimination. In the end, the Australian government did neither.<sup>13</sup>

The Howard government whilst emphasising the limitations of multilateral diplomacy and regimes in securing Australia's national interests across the 1997-2000 period, simultaneously displayed elements of continuity and change from its predecessors on nuclear issues.<sup>14</sup> In this regard we have seen how the Howard government immediately reaffirmed its commitment to the three pillars of Australia's traditional approach in concert with downgrading the commitment to the goal of nuclear disarmament. On a number of occasions from 1997 to 2000 the Howard government continued to demonstrate its engagement with, and participation in, such multilateral UN-sanctioned forums as the CD and the 2000 NPT Review Conference. A common theme in Australian diplomacy in these forums was the continued commitment to the NPT and the operation of the IAEA, and somewhat surprisingly, support for the conclusion of a fissile material cut-off treaty in the CD.<sup>15</sup> Such commitment to the NPT and the norm of nuclear non-proliferation was also illustrated in practice on a number of occasions. First, Australia's response to non-NPT parties India and Pakistan's nuclear tests of May 1998, whereby Australia suspended official visits, bilateral defence links and non-humanitarian aid, particularly highlighted the Howard government's commitment to these goals.<sup>16</sup> Second, Australia strengthened its non-proliferation credentials through its rapid ratification of the IAEA's Additional Protocol on nuclear safeguards, committing it to more rigorous safeguards of its nuclear facilities.<sup>17</sup> Simultaneous with such developments that suggested continuity in substance with Australia's traditional approach, a number of Foreign

Minister Downer's statements on these issues noted above also contained expressions of disappointment with the lack of progress on some key facets of the international non-proliferation regime. In the government's perception, the most disappointing failures of the international regime concerned the breakdown in the progress of the CTBT and the inability of the IAEA to adequately scrutinize and prevent the proliferation activities of such states as Iraq, Iran and North Korea.<sup>18</sup> Therefore, although toward the close of the 1996 to 2000 period the Howard government began to exhibit a more critical view of the international non-proliferation regime, it did not appear that this amounted to a definitive break with Australia's traditional approach. Indeed, Foreign Minister Downer categorically concluded his address to the 2000 NPT Review Conference by stating that, "The NPT remains the world's best defence against the spread of nuclear weapons".<sup>19</sup>

***The International Context: The Evolution of the International Strategic Environment, Non-proliferation Regime and Nuclear Energy Market***

The basis of the UMPNER's sanguine assessment of the potential affect of an expansion of Australia's role in the nuclear fuel cycle on Australia's security and participation in the non-proliferation regime rests upon the assumption that this regime is in fact stable and effective. Moreover, it also appears to assume that Australia's approach to these issues has also remained stable. However, the evolution of the international strategic environment and the international nuclear fuel market since the end of Cold War has placed Australia's grand bargain, and hence the policy triad of Australia's approach outlined above, under major stress. In this regard, Australia has demonstrated since 2001 that similar to its alliance partner, the US, it is re-evaluating its strategy toward issues of nuclear proliferation and its role in the nuclear fuel cycle due to number of factors. In particular, the international strategic environment has been transformed since the end of the Cold War by the emergence of trans-national security threats such as terrorism, the re-emergence of traditional inter-state rivalries,

and the persistence of “rogue” states that have resulted in the continued strategic importance of nuclear weapons, accelerated nuclear proliferation and presented challenges to the non-proliferation regime.<sup>20</sup> These conditions have induced a number of states – both inside and outside the non-proliferation regime – to either “go nuclear” or attempt to do so. Thus the nuclear programs and ambitions of such states as India, Pakistan, Iran and North Korea have demonstrated that the existing non-proliferation regime, based on the NPT and the IAEA, is unable to prevent or punish nuclear proliferation. Simultaneously, increasing international concern regarding energy security and the affects of global warming have led to a revival in the consideration of nuclear energy in many states, driving up uranium prices.<sup>21</sup>

Thus, any examination of Australia’s role and interests in international nuclear affairs must, in contrast to the taskforce’s review, go beyond a consideration of the economic parameters of a change in Australian policy to take into account the inter-connections between the strategic, non-proliferation regime and market realms. Indeed, it is suggested below that the *logic of restraint* that nuclear weapons brought to the international strategic environment after 1945 has been weakened by the dynamics of the “second nuclear age” and contemporary US counter-proliferation strategy. Meanwhile, the *logic of assurance* that has underpinned the international non-proliferation regime has come under pressure from three directions: the demonstrated failure of the regime to prevent nuclear proliferation; the development of the strategy of pre-emption on the part of the US and its allies; and the erosion of the norm of nuclear non-proliferation generated by the structural inequity of the regime. Finally, the contemporary international nuclear energy market, after a period of stagnation, has come to be characterised by a *logic of expansion* due to heightened global concern regarding the issues of energy security and global climate change. As will be demonstrated below, changes in each of

these realms raises questions as to what Australia's interests are and how they can be best attained within a changing external environment.

*The "Second Nuclear Age": The Erosion of the Logic of Restraint and Australia's Response*

The destructive power of nuclear weapons has traditionally imbued them with a defensive function. The rapid increase in the superpowers' nuclear stockpiles after 1945 led to a general realisation that it was impossible to fight and win a nuclear war, and to the emergence of a relatively stable, bilateral "balance of terror" in which the nuclear states understood that all were prevented from launching their nuclear weapons by the prospect of mutually assured destruction.<sup>22</sup> The development and possession of nuclear weapons also alerted states to the existence of the "security dilemma", in which any one state's quest to purchase security through developing more weapons degrades the security of surrounding states. This leads the surrounding states to acquire more weapons themselves, ultimately leading to a destabilising arms race, which degrades the security of all participants. The nuclear age thus brought to the strategic realm a *logic of restraint*. States realised that the traditional urge for absolute strategic ascendancy is illusory and dangerous in the context of nuclear weapons, and underpinning concepts of deterrence are calculations that adversaries are restrained from utilising their nuclear weapons by a self-interest in survival. The logic of restraint has elevated a concern with the order and stability of the system of nuclear possession over specific states' concerns with particular vulnerabilities and offensive-defensive capabilities. Concern with systemic stability has given rise to systems of reassurance between the nuclear weapons states based on shared strategic understandings<sup>23</sup>, a degree of transparency in nuclear holdings and postures as provided by sophisticated intelligence collection capacities, and a range of arms control agreements. As we have seen, Australia reconciled itself to the logic of restraint in the early 1970s, when it finally resolved not to develop a nuclear capability.

Important factors in its calculations were that an Australian nuclear capability would likely trigger similar developments in Southeast Asia, to the absolute detriment of Australia's security.<sup>24</sup> Canberra also subscribed to the broader systemic order goals, embodied particularly in the norm of non-proliferation, from the knowledge that its own region contained some of the most dangerous militarised disputes on earth, and that its own security would be fundamentally threatened by a cascade of nuclear possession throughout the Asian region.

The demise of the Soviet Union in 1991, and with it, the demise of the bipolar nuclear balance that had by and large framed the post-1945 strategic environment, led some analysts (and indeed some states) to envision that a world without nuclear weapons was in reach.<sup>25</sup> Such a vision has, however, proven to be a mirage due to the fact that the end of the Cold War ushered in a new period or "second nuclear age" defined by six major features: it involves multiple aspirants to nuclear status; the new proliferation incentives are linked to state-building; nuclear aspirants directly challenge the existing non-proliferation architecture; the new proliferation dynamics are largely confined to the Asian continent; the costs of and barriers to nuclear programs have fallen dramatically; and second nuclear age aspirants have a "second-mover" advantage.<sup>26</sup> Importantly, these dynamics have affected the non-proliferation and nuclear posture of the world's pre-eminent power, the US. In particular, the strategic environment since 1991 has induced a recalibration of US approaches to the issues of nuclear proliferation and the role of nuclear weapons in international security.

US policy in this regard since 1991 has been characterised by the emergence of a number of major inter-related themes or directions. Successive US administrations since 1991 have identified the prospect of "rogue" states such as Iraq, Iran, Syria or North Korea acquiring

WMD capabilities (nuclear, chemical and biological weapons) as the gravest threat to US national security and international security more broadly.<sup>27</sup> This in turn resulted in the retention of the US nuclear arsenal as a central plank of national security policy, whereby the US' overwhelming nuclear capability would act as a deterrent to the potential use of WMD by other states. Nuclear weapons thus came to be viewed by US administrations, particularly by the Bush Snr and Clinton administrations, as a counter-proliferation tool. Moreover, this also created stimulus for the US to create a more flexible nuclear arsenal, including the development of "low yield, precision-guided" nuclear weapons that, according to the US Nuclear Posture Review of 1994, could be used in "regional wars" to avoid destabilizing conflicts.<sup>28</sup> Related to these concerns about the proliferation of WMD capabilities to "rogue" states, was the parallel proliferation of ballistic missile technology and systems that would deliver WMD. These concerns came to a head between 1996 and 2000 due to the confluence of US domestic politics and external proliferation developments to induce the Clinton administration to countenance greater consideration of the concept of Ballistic Missile Defence (BMD).<sup>29</sup> Domestically, the Republican's victory in the US mid-term elections of 1994 resulted in their concerted promotion of the concept of BMD to ensure maximum freedom of action for the US in combating hostile powers and "rogue" states. This domestic pressure was intensified by evidence of further nuclear and ballistic missile proliferation in 1998 including the Indian and Pakistani nuclear tests of May, and the ballistic missile testing of North Korea and Iran later that year.<sup>30</sup> As such these pressures resulted in President Clinton committing US\$6.6 billion in the 1999 budget for the development of a BMD capability and the US Senate's rejection of the ratification of the Comprehensive Test Ban Treaty (CTBT).<sup>31</sup>

These developments – the continued centrality of nuclear weapons in national security policy, entrenchment of nuclear weapons as a counter-proliferation tool, and development of NMD –

taken collectively amounted to a recasting of US strategy in the face of the dynamics of the “second nuclear age”. However, the US attachment of increased utility to nuclear weapons and commitment to strategies such as BMD also contributed to the stresses on the international non-proliferation regime and other supporting treaties such as the Anti-Ballistic Missile Treaty (ABM) and the CTBT.<sup>32</sup> The events of 11 September 2001 added further impetus to the nuclear and counter-proliferation strategies noted above. For Washington, 9/11 has acted as a “trigger” for the further development of these tendencies within the US’ approach to proliferation.<sup>33</sup> Indeed, although President George W. Bush, even prior to 9/11, had proven to be an adherent of the emerging triad of US nuclear policy noted above, particularly the concept of BMD<sup>34</sup>, the terrorist attacks served to highlight the linkages between the threats of the proliferation of nuclear weapons and missile technology to “rogue” states and the potential diversion of such capabilities to terrorist organisations. Concern that “rogue states” will either be tempted to use nuclear weapons themselves, or pass them to terrorists has eroded beliefs that a self-interest in survival is the best guarantee that those with nuclear weapons will not use them. Thus, this has led the US, its sense of vulnerability heightened by the 9/11 attacks, to abandon key institutions of the logic of restraint. Its abrogation of the ABM Treaty in order to pursue BMD has destabilised a key plank in the system of mutually assured destruction; while its development of “mininukes” for possible use in pre-emptive strikes against nuclear weapons systems housed in hardened underground bunkers may touch off new dynamics of vertical proliferation (the development of new types of nuclear weapons by existing nuclear weapons states) and horizontal proliferation (the development of nuclear weapons by former non-nuclear weapons states).<sup>35</sup>

Strategically, the US and Australia share some common perceptions as to the potential threats emanating from this second nuclear age. In particular, the proliferation of WMD and Inter-

continental Ballistic Missile (ICBM) technology to states such as North Korea and potential acquisition of WMD by terrorist organisations. Yet some of the strategic implications of the Bush Administration's counter-proliferation approach may also cause Australia some significant tensions within its other important regional relationships. Most particularly, the logic of the Bush Administration's two emerging counter-proliferation pillars – the PSI and BMD – and Australia's support of them has the potential to conflict with Chinese strategic interests.<sup>36</sup> Moreover, given Australia's close relations and alignment with the US and increasingly close relations with China, combined with China's opposition to BMD and ambivalence toward the PSI, the potential for Australia to be caught between the conflicting imperatives of these two great powers appears to be real.<sup>37</sup> With respect to the PSI, China has expressed its understanding of the concerns underpinning the initiative and its stated objectives. However, it also maintains that the international non-proliferation regime must be "fair, rational and non-discriminatory", while forswearing "unilateralism and double-standards".<sup>38</sup> Although this highlights Chinese opposition to the underlying logic of the Bush administration's counter-proliferation strategy, such opposition is also influenced by perceptions of the potentially negative affects of the PSI and BMD on China's security. Specifically, the aims and objectives of the PSI may raise concerns in Beijing regarding its own proliferation record, in particular the sale of nuclear materials and technologies to Pakistan and Iran, which has been criticised by successive US administrations since the 1980s.<sup>39</sup> In contrast, the issue of BMD impinges directly upon China's perception of its security interests in East Asia. For China, the US engagement of Australia and Japan on the development and deployment of BMD, suggests a strategy to "contain" and negate China's nuclear deterrent, with direct implications for China's ability to achieve the resolution of the Taiwan issue by coercive means.<sup>40</sup> Thus, for Australia the challenge is to balance its regional strategic interests with its clear support of US counter proliferation strategy. As previously

noted, Canberra shares with Washington a growing alarm about the proliferation dynamics of the second nuclear age and about the potential for terrorist organisations to obtain and use nuclear devices. Australia has positioned itself as a clear supporter of two of the United States' responses: the PSI, a multilateral policing operation against transfers of weapons technology and materials between "rogue" proliferators; and BMD.<sup>41</sup> Both of these initiatives have worried China and the latter will likely encourage Beijing to develop more nuclear weapons. Furthermore, Canberra's and Washington's invasion of Iraq on the pretext of pre-emptive intervention against a "rogue" nuclear aspirant have also added to the urgency of nuclear acquisition by other states that feel threatened by newly muscular responses to strategic questions.<sup>42</sup>

A key question given the forgoing discussion is: Where do Australia's interests lie in the context of this eroding logic of restraint? Dependent on the American nuclear umbrella for its own security, Australia remains to some extent tied to Washington's evolving nuclear posture. But the potential for regional security dilemmas remain, and in the past decade two of the most dangerous standoffs in its region (India-Pakistan and the Korean peninsula) have been nuclearised. Moreover, Australia's contemporary support for measures such as the PSI, BMD and the US strategy of pre-emption holds the potential to further exacerbate the erosion of the logic of restraint not only in terms of nuclear proliferation in its region but also may have a negative affect on other arms control measures. Given the shared Australian and US perceptions of the pre-eminent threats of the post-9/11 strategic environment and Australia's support for US counter-proliferation initiatives noted above, it would appear that the Australian government believes that the costs of such measures – such as generating proliferation incentives and undermining the non-proliferation regime – are outweighed by the security and strategic benefits. While ongoing nuclear proliferation since the collapse of

the Soviet Union and international concern regarding international terrorism post-9/11 have clearly contributed to such a re-evaluation of Australia's strategic environment and interests, these same factors have also affected the international non-proliferation regime. In this context, as the following section will demonstrate, Australia has had to attempt to balance its "traditional" commitment to the non-proliferation regime with the emergent strategic challenges noted above.

### *The Non-Proliferation Regime and the Erosion of the Logic of Assurance*

The extraordinary development of international organisations and multilateral agreements since the end of the Second World War has been driven partly by the need to surmount the numerous collective action dilemmas that arise in a world of increasingly interdependent states. Regimes have evolved to regularise interactions, stabilise expectations, measure co-operation and sanction non-compliance. In the nuclear realm, a series of multilateral agreements were negotiated and signed in the late 1960s and early 1970s as a way of formalising a series of informal understandings that had come to embody the systemic order in the strategic nuclear realm. In particular, the NPT was designed to forestall further destabilising vertical and horizontal nuclear proliferation, while other agreements were intended to stabilise the system of deterrence among the nuclear powers and reduce their nuclear arsenals. The nuclear regimes came to embody a *logic of assurance*, in which states (whether nuclear or non-nuclear) sought to reassure each other of their commitment to the logic of restraint that had emerged in the strategic realm. In pledging to assist non-nuclear weapons states with civilian nuclear technology, nuclear weapons states sought to assure them that they could gain all of the civilian benefits of the nuclear age without its destabilising military element. There was also an informal element of assurance in the general understandings that nuclear states would not attack non-nuclear states with their nuclear

weapons, and that certain non-nuclear states would be protected under the deterrent umbrella of their nuclear allies. This logic of assurance underpinned the development of the pillars of the existing international non-proliferation regime, the NPT and the IAEA.

However, past and contemporary difficulties and challenges to the international non-proliferation regime are based upon the fact that these pillars are inherently unequal and hierarchical in nature. The NPT established three tiers of states regarding nuclear weapons with nuclear weapons temporarily legal in five NWS parties (US, Soviet Union/Russia, UK, France and China), illegal amongst the NNWS parties and not illegal in the three NWS that remain outside of the NPT (India, Pakistan and Israel). The logic behind the treaty is bifurcated in the sense that for the NWS, it is the further proliferation of nuclear weapons that is the threat to be prevented, while for the NNWS parties it is nuclear weapons themselves that should be eliminated as per Article VI of the NPT.<sup>43</sup> The history of the NPT and its primary enforcement mechanism, the IAEA, demonstrate that it has been the logic of the NWS that has prevailed with a number of NNWS and nuclear weapons capable states forgoing nuclear weapons to sign the NPT since 1968, while none of the NWS have voluntarily eliminated their nuclear capability.<sup>44</sup> The result has been to establish and entrench a permanent divide between nuclear and non-nuclear powers, an inequity that has contributed to the dynamics of the second nuclear age and allowed proliferators such as India and Iran to denounce the non-proliferation regime as a form of “nuclear *apartheid*”. Nonetheless, despite these problems the NPT is seen by many to have been successful in limiting or containing nuclear proliferation since it came into effect in 1970.

After the indefinite extension of the NPT in 1995, however, the logic that nuclear proliferation is the threat to be universally prevented has been eroded, particularly within US

perceptions. This is borne out in the differing treatment of nuclear proliferators both inside and outside of the NPT over the last decade. The contemporary controversy, for example, regarding the nuclear ambitions of North Korea and Iran, until recently both NPT signatories, stands in stark contrast to the international community's stance regarding India's nuclear program. The dynamics of the second nuclear age combined with the security concerns of the post-9/11 environment have induced the US to question the universal applicability of the NPT and the norm of non-proliferation. Australia's participation in the international non-proliferation regime during this transitional era, as outlined in the first section of this paper, placed emphasis on the exemplary role that Australia could play in upholding the NPT while maintaining Australia's right to benefit from the "peaceful" uses of nuclear technology. Australia thus placed importance on reinforcing the safeguards and pre-conditions of uranium supply, especially the pre-requisite of NPT membership, in order to be strategically placed to encourage other states to do so. Furthermore, this was coupled with the investment of considerable diplomatic resources to raise Australia's profile and role in international, UN-sanctioned non-proliferation processes, such as the five-year NPT review conferences and nuclear disarmament forums such as the UN Conference on Disarmament.<sup>45</sup>

Indeed, Australia secure under the American nuclear umbrella, conceived a role for itself as a creative middle power committed to extending the non-proliferation regime. The Keating government discovered to its detriment in 1995 how committed the Australian public was to non-proliferation when Foreign Minister Gareth Evans' low-key response to French nuclear testing in the South Pacific drew an outraged response from the electorate. Australia's efforts to embrace and encourage best-practice guidelines for the export of uranium worldwide were seen as a central mechanism of the logic of assurance at the heart of the regime. This logic of assurance has come under challenge from three directions. First, the recent proliferators have

demonstrated that the NPT-IAEA system is unable to prevent proliferation and unable to sanction those states that are deemed too strategically important to isolate. Moreover, the discovery of the A. Q. Khan network showed that proliferation is beginning to develop in new, non-state, transnational directions, a contingency well outside of that envisaged by the regime.<sup>46</sup> Second, Washington's new counter-proliferation policies have directly confronted the regime and its logic of assurance by voicing concern at the operation of the current system and reserving the right to act outside of the regime in the interests of national security. In this regard it can be said that the US post-9/11 approach to the issue of nuclear proliferation is based upon four assumptions: (1) Nuclear proliferation is inevitable, at best it can be managed, not prevented, (2) there are good and bad proliferators, (3) multilateral mechanisms to prevent the nuclear weapons proliferation are ineffectual and (4) regional security and economic considerations out-weigh those of non-proliferation.<sup>47</sup> Indeed, these assumptions are seen by a number of observers to have underpinned the conclusion of the March 2006 US-India nuclear cooperation agreement.<sup>48</sup> Significantly, this agreement erodes both the logic of that traditionally underpinned the NWS commitment to the NPT – that further proliferation be prevented and punished – and that of the NNWS – that nuclear weapons should be eliminated.<sup>49</sup> This raises the important question as to whether the US-India agreement is establishing a further tier of states in the nuclear hierarchy – those outside the NPT, but judged by the US to be “good” proliferators across normative and strategic criteria – and what this will mean for the existing regime. Third, the structural inequity of the increasingly permanent divide between the nuclear haves and have-nots has begun to erode the authority of non-proliferation norms. Australia thus confronts some profound choices here, concerning its role as an ally of the United States or a creative middle power; what needs to be done to address the crisis in the regime; and how much influence Australia can exert over regime developments.

Since the end of the Cold War Canberra's role as an energetic builder and participant in the non-proliferation regime has gradually been overtaken by a growing realisation that the regimes to which it has contributed are unable to contain the new proliferation dynamics. Meanwhile, the Howard government's participation in new, American-led counter-proliferation measures risks further damaging the non-proliferation regime. Canberra's growing disillusionment with the non-proliferation regime has not yet evolved into a new approach to retrieving the authority of global non-proliferation norms. Several observers have suggested alternative multilateral or regional approaches to managing the new proliferation dynamics<sup>50</sup>, but publicly the Australian government remains steadfastly committed to the existing regime<sup>51</sup>. Yet Australia's record as a vigorous non-proliferation actor would provide it with a certain measure of authority in proposing creative solutions to the crisis of the non-proliferation regime. Thus, it can be said that Australia is presented with a complex dilemma given its conflicting interests in, and across, the strategic and regime realms of nuclear affairs outlined above. What appears to be lacking in Canberra on either side of the political divide is a broad vision of the new proliferation picture, the limits of the current regime and the possibilities of different multilateral approaches, and an uncertainty about how Australia's uranium export incentives may affect Australia's interests and credibility. It is to this latter question that we now turn.

#### *Australia and the Nuclear Energy Market's Logic of Expansion*

Through these major transformations of the international strategic environment and the non-proliferation regime, the international nuclear energy market has also undergone significant change that affect Australia's position as a supplier of uranium. Furthermore, these changes have also prompted Australia to consider the expansion of its role in the nuclear fuel cycle to

include the development of uranium enrichment facilities and nuclear waste storage/disposal facilities.<sup>52</sup> Energy markets, in an era of rising demand and consciousness of finite supply, have exhibited remarkable demand inelasticity. The consumption of fossil fuels has not been diminished by price rises, and in an era when dependable access to energy is foundational for economic development and societal function, there is little reason to believe that such inelasticity will not apply also to non-fossil fuels. Given the political uncertainties that dogs most oil exporters, resource markets have also begun to return a premium for stable suppliers, and energy exporters such as Canada and Australia have found their resources fetching high prices on global markets. Indeed, the preceding decade has seen the burgeoning economic growth of China and India, and a concomitant increase in demand for energy, simultaneous with growing international concern about the affects of global warming and access to, and security of, existing energy resources. These largely demand-side factors, of what some observers have called the “third energy crisis”, have contributed to a reconsideration of nuclear energy as a possible means to address some of these concerns.<sup>53</sup> Thus, the nuclear energy market is driven by a *logic of expansion* that sits in stark contrast to the logics of *restraint* and *assurance* in the strategic and regime realms discussed above. Fostering the growing use of a particular form of energy entails locking in demand security for that resource. Nuclear energy has just emerged from a decades-long period of sagging demand, as concerns over the safety of nuclear plants and the affordability of other forms of energy saw a virtual freeze on the commissioning of new nuclear reactors after the 1970s. Now the nuclear industry, and indeed the energy industry as a whole has begun to tout civil nuclear energy as the answer to environmental and energy security concerns. An intention to expand the use of nuclear power by many of the world’s largest economies has had a positive effect on world uranium prices.

Although nuclear energy in 2005 accounted for only 16% of global electricity supply, several countries across the globe including the US, the UK, China and India have either re-opened debates regarding the role of nuclear energy or are actively seeking to expand their civil nuclear capabilities.<sup>54</sup> Nuclear energy's role in the international energy market is thus projected to expand in the near future, a development that has implications for the international non-proliferation regime and international security. Australia, possessing the world's largest recoverable deposits of uranium, thus stands to gain substantial export earnings from rising uranium demand. The UMPNER report paved the way for an expansion of Australia's exports of yellowcake, and the eventual establishment of nuclear power generation and even uranium enrichment in Australia. It also suggested that Australia might play a role in receiving and storing radioactive waste product.<sup>55</sup> Australia's recent signing of uranium export agreements with China, and the Howard government's support for, but refusal to replicate, the United States' agreement to co-operate on civil nuclear energy production with India, demonstrated how potentially significant the consequences of Australia's commercial choices are.<sup>56</sup> Indeed, according to then Prime Minister John Howard, Australia had the "makings of an energy superpower" if it developed its energy export markets wisely. Moreover, there is little doubt that his government included uranium and nuclear energy among Australia's significant energy exports.<sup>57</sup> As a stable supplier with the world's largest recoverable uranium deposits, Australia has a clear interest in the expansion of the civil nuclear sector in the world's largest economies. With estimates that global uranium reserves are adequate to meet nuclear generation needs for about five decades there exists for Australia a limited window of opportunity in exploiting its natural endowment.<sup>58</sup> However, the market realm poses a host of challenges to Australia. President Bush's proposal for a Global Nuclear Energy Partnership (GNEP), which would freeze the number of states able to undertake enrichment activities, poses a direct challenge to Australia's consideration of expanding its

role in the nuclear fuel cycle by undertaking such downstream “value-adding” processes.<sup>59</sup> In this instance, the non-proliferation rationale threatens to lock Australia in as a non-value-adding exporter of yellowcake, and was a major stimulus for the commissioning of the UMPNER report.

Meanwhile, the logic of expansion in the nuclear market also raises questions about the production and storage of nuclear waste; does Australia as a major exporter also have an obligation (or a commercial opportunity) to take back and store radioactive waste material? Regarding this particular question, recent history would suggest that Canberra would have a particularly difficult time in persuading the Australian public of the benefits of developing a nuclear waste storage or disposal industry in the country. Indeed, as recently as 1998 the Howard government faced significant controversy and widespread public opposition regarding the proposed development by Pangaea Resources of an international, high-level radioactive waste storage and disposal facility in a remote region of Western or South Australia.<sup>60</sup> Moreover, successive Australian governments have adopted the position that “there is no relationship between benefiting from selling uranium and taking responsibility for the waste produced by its use”.<sup>61</sup> For the Howard government, as for other governments around the globe, the various potentially negative implications of an expansion of Australia’s involvement in the nuclear fuel cycle derived from the fact that nuclear energy has four major unresolved problems: costs, safety, proliferation and waste.<sup>62</sup> The cost and safety factors are primarily related to the construction, maintenance and secure operation of civil nuclear power plants and are not considered to be a principal risk in relation to security and proliferation concerns.<sup>63</sup> Public and governmental concerns regarding the effect of increased Australian uranium exports, enrichment of uranium and development of a civil nuclear energy industry,

however, stem from the greater proliferation risks associated with the increased presence of nuclear materials these steps would entail.<sup>64</sup>

*Australia's Nuclear Choices into the 21<sup>st</sup> Century: From Howard's Way to Rudd's 'Middle Power Diplomacy'?*

The key problem for the Howard government (and now for the Rudd government) was to reconcile the clear strategic and economic benefits that would accrue to Australia through the implementation of the policy options identified above and its declaratory commitment to Australia's legacy as a supporter and active participant in the non-proliferation regime. This task is made all the more difficult given that a reinforcing dynamic can be identified between Australia's contemporary interests and policy options in the strategic and market realms. In the strategic realm, as we have seen, the Howard government came to the conclusion that the non-proliferation regime cannot prevent or punish proliferators which led it to support the counter-proliferation tool of the PSI and the security concept of BMD. Significantly, the discriminatory application of proliferation standards that appears to underpin this counter-proliferation strategy, if pursued to its logical conclusion would enable Australia to find new markets for its nuclear exports. The US-India nuclear agreement, jointly announced by President George W. Bush and Prime Minister Manmohan Singh on 18 July 2005, is instructive in this regard. The nature and implications of this agreement arguably placed the greatest pressure on Australia's nuclear policy under the Howard government. In this respect, two major aspects of the agreement were particularly germane. First, without acknowledging New Dehli as a "legitimate" nuclear weapons state, President George W. Bush asserted that, "as a responsible state with advanced nuclear technology, India should acquire the same benefits and advantages as other such states".<sup>65</sup> Second, the US agreed to aid India in obtaining civilian nuclear technology by seeking agreement from the US Congress "to adjust US laws and policies" and "work with friends and allies to adjust international regimes to

enable full civil nuclear energy cooperation”.<sup>66</sup> Significantly, these statements suggested that four major assumptions underpin the Bush Administration’s approach:

- Nuclear proliferation is inevitable; at best it can be managed, not prevented
- There are good and bad proliferators
- Multilateral mechanisms to prevent nuclear weapons proliferation are ineffectual
- Regional security and economic considerations out-weigh those of non-proliferation.<sup>67</sup>

The US-India agreement and the assumptions that underpin it presented the Howard government with a particularly difficult decision in the context of a nuclear energy market characterised by a dynamic of expansion that may ultimately question the basis of Australia’s traditional “grand bargain”.

As demonstrated above, Australia under John Howard’s stewardship can be said to have shared the Bush Administration’s perceptions as to the dynamics and major security threats of the contemporary international strategic environment and to support the general thrust of US non-proliferation policy. However, there are significant supply-side incentives for Australia within the world uranium market given that Australia currently holds the world’s largest “reasonably assured resources” of uranium standing at some 1.143 million tonnes.<sup>68</sup> Moreover, while the International Energy Agency estimates that identified “conventional sources” of uranium will be sufficient for civilian nuclear energy generation “at *current* usage rates”, it also notes that annual world demand for uranium is projected to increase from sixty-eight thousand tonnes in 2005 to between eighty thousand and one hundred thousand tonnes in 2030.<sup>69</sup> Thus, Australia’s “window of opportunity” to “cash in” on its extensive uranium resources may be a limited one given that rising demand internationally will potentially spur further exploitation of existing sources and exploration for new deposits. In essence, Australia’s comparative advantage may not persist for long.

Meanwhile, the expansion of Australia's involvement in the nuclear fuel cycle to include uranium enrichment, civil nuclear energy, and storage/disposal of nuclear waste would affect Australia's position in the strategic, regime and market realms of its interests. Strategically, the Bush administration has suggested that it would look favourably upon Australia as a value-adding member of the GNEP given its "rock solid" proliferation record and close relationship with the US.<sup>70</sup> Moreover, as the UMPNER draft report noted, there are also substantial economic incentives to value-add to Australian uranium exports to the tune of an extra \$AUS1.8 billion.<sup>71</sup> In terms of Australia's interest in limiting further proliferation, the enrichment of uranium by Australia could also be seen to contribute to non-proliferation by providing a further supplier for importing countries and thus diminishing the incentives for such countries to obtain their own enrichment capability.<sup>72</sup> However, the development of such a capability would also endow Australia with nuclear "break-out" potential regardless of its intentions. This, of course, would affect the perception of Australia within its region and potentially complicate regional security.<sup>73</sup> Therefore, enrichment of uranium in Australia, while entailing significant economic benefits, would also impose major strategic costs that would further undermine the logic of assurance that the Howard government retained some commitment to. As such uranium enrichment could induce uncertainty amongst other regional states as to Australian intentions, leading them to develop their own enrichment capability with negative implications not only for regional security but also Australia's stated interest in limiting further proliferation.<sup>74</sup>

As noted earlier in the paper, Australia's traditional "grand bargain" established in the 1970s was premised on the belief that only by becoming a significant player in the nuclear fuel cycle could it play a meaningful role in the international non-proliferation regime. As we have seen, however, the strategic, non-proliferation and market realms of nuclear affairs have been

significantly transformed since that time to bring into question this premise. In essence Canberra under either Liberal Coalition or Labor government must ask whether the “grand bargain” remains tenable. For example, given the clear economic incentives for Australia to expand its exports of uranium noted above, will such an expansion necessarily provide it with a greater voice in international non-proliferation endeavours? The trajectory of Australian policy in the strategic and non-proliferation realms, and the direction of US non-proliferation policy, would in fact suggest that this may no longer be a credible position. It will be recalled that this “grand bargain” was supported by three pillars: (i) to use exports of its uranium reserves to establish its status as a NNWS with a significant role in the international nuclear fuel cycle; (ii) to use its exports policy to set an example of strengthening non-proliferation through strict bilateral export controls – and later to multilateralise these through the Nuclear Suppliers Group; and (iii) to use its status and commitment to export controls to extend comprehensiveness of the non-proliferation regime, activism to expand the membership of the NPT and add supplementary agreements such as the Comprehensive Test Ban Treaty (CTBT). The pressures emanating from the contemporary strategic and market realms, and Australia’s response to them noted above, appear to undermine two of the three pillars, specifically the first and third.

Statements by former Foreign Minister Alexander Downer in January 2007 in relation to the US-India nuclear cooperation agreement and Australian uranium export policy suggested that Canberra was shaping a new position based in part upon the core of the second pillar. As such it appeared to have warmed to the approach embodied in the US-India agreement that seeks to use bilateral export controls to bring in “acceptable” nuclear outsider states into a proactive non-proliferation grouping ancillary to the NPT regime.<sup>75</sup> Moreover, the logic of such a move

in relation to Australia's interests in the non-proliferation realm was also clearly expressed by the Foreign Minister:

This whole India issues, it's very difficult question because you can have the status quo – or becoming the status quo ante now – where India is not an NPT party, it has nuclear programs, it has nuclear weapons and you can take the view therefore we will have nothing to do with them. Or you can take the view that the Bush Administration has taken that well at least you can embrace some of India's nuclear industry and you can have inspections by the IAEA of some of those nuclear facilities. And some inspections and some transparency is better than none, isn't it?<sup>76</sup>

For the Howard government, the dynamics and pressures emanating from the strategic and market realms out-weighed or overwhelmed the legacy of Australia's commitment to the strictures of its traditional, NPT-bound non-proliferation policies. On the available evidence it would seem that the Howard government had concluded that such a policy trajectory would expand the potential export markets for Australian uranium while simultaneously permitting Canberra to argue its ongoing non-proliferation credentials. This logic ultimately underpinned the Howard government's decision of 15 August 2007 to authorise sales of uranium to India.<sup>77</sup> Strategically, such a position also brought the Howard government into closer alignment with US policy, while it could also be seen as a corollary of Australia's approach in its immediate region of establishing bilateral nuclear cooperation with such states as Indonesia and China.

The comprehensive victory of the Australian Labor Party (ALP) under the leadership of Kevin Rudd in the federal election of 24 November 2007, however, will result in a review of these policy directions. In the lead up to the election the ALP elucidated an approach to nuclear issues that shared a great deal with the previous Hawke-Keating approach outlined earlier. In particular, Rudd argued in March 2007 that, "Australia must re-embrace the tradition of active middle power multilateral diplomacy", including a greater Australian contribution to "global action on nuclear proliferation".<sup>78</sup> How this would distinguish Labor

policy from that of the Howard government was gradually revealed in the subsequent months leading to the November poll. Over this period Labor distinguished itself from the government in three major areas: policy toward a domestic nuclear energy industry, conditions for the export of uranium and approach to the existing international non-proliferation regime. Moreover, Labor elucidated an inter-related argument for its positions on these three aspects of Australian policy that reflected the spirit of Rudd's call for a "re-embrace" of "middle power diplomacy".

First, Labor in contrast to the Howard government, clearly elucidated its opposition toward the development of a civil nuclear energy industry in Australia. While the ALP National Conference in April 2007 overturned the long-standing 'three mines' policy, in order to signal both Labor's support for the expansion of uranium mining and recognition of the significant economic opportunities presented by the dynamic of expanding demand in the international nuclear energy market, it nonetheless refuted arguments for an Australian nuclear energy industry.<sup>79</sup> Indeed, Rudd after the ALP National Conference had just over-turned its 'three mines' policy, argued that there was no contradiction between Labor's support for increased uranium exports and its opposition to the harnessing of the nuclear option for Australia's own energy needs by suggesting that, "We have a rich array of energy options in onshore Australia. Other countries to which we sell uranium do not. Therefore, for other countries, there may be no other energy future than nuclear power. For Australia, there is".<sup>80</sup> Such a stance was also dictated by a political calculus to avoid Howard's attempt to 'wedge' the ALP on climate change and renewable energy issues, by portraying Howard's apparent warming to nuclear energy as not only economically unfeasible but strategically and normatively damaging to Australia's national interest. This position was reiterated and built on through the remainder of the pre-election period with, for example, Shadow Minister for National

Development, Resources and Energy Chris Evans asserting in July 2007 that a nuclear energy option was not viable for clear economic, environmental and political reasons:

We have established domestic power industries with strong skills bases, massive capital assets and considerable public support. The strength of these industries and the scale of their resource bases mean that nuclear power would struggle to compete economically. The decision to develop a domestic nuclear power industry would also mean accepting the safety risks inherent to nuclear energy generation and taking on the problem of radioactive waste storage. Critically, any domestic nuclear power program would also face considerable challenges in gaining the necessary levels of public support.<sup>81</sup>

Additionally, Labor in the process of over-turning its 'three mines' policy also attempted to sever the connection between debates surrounding uranium mining, the safety of the nuclear fuel cycle and contemporary proliferation problems. In the words of Chris Evans, Labor had to, "acknowledge the reality of Australia's existing uranium industry and to recognise that we are but one of many suppliers of uranium" while simultaneously conceding that, "an Australian ban on more uranium mining would not address the very serious issues of the nuclear industry and weapons proliferation".<sup>82</sup> Thus, this implicitly challenges the core assumption behind the bipartisan consensus in Australian politics since the late 1970s that only by becoming a supplier of uranium could Australia hope to exert any influence over the direction of the non-proliferation regime. How then will Australia under a Rudd government attempt to exert its influence on the non-proliferation regime if it has apparently concluded that exporting uranium alone does not provide requisite leverage to ensure Australia's national interests in the nuclear realm?

The answer to this question was forthcoming from Labor's statements concerning the second and third points of distinction between itself and the Liberal Coalition in the months prior to the November 2007 federal election that were noted above. The decision to abandon the 'three mines' policy and commit Labor to support an expansion of uranium mining in Australia was quite pointedly conditioned by a commitment to work towards strengthened control regimes

for the export and transfer of nuclear technology. The core of this commitment was that a Rudd government would restrict sales of uranium to states that are signatories to the NPT while it would also, “actively pursue more effective international export control regimes through the IAEA and tighter controls on the transfer of nuclear technology”.<sup>83</sup> Evidence of Labor’s commitment to this approach was forthcoming with statements by leader Kevin Rudd and Shadow Minister for Foreign Affairs Robert McClelland regarding the Howard government’s approach to the sale of uranium to India and Australia’s role in the international non-proliferation regime. McClelland, in a statement a day prior to the Howard government’s decision to authorise sales of uranium to India, categorically stated that Labor was opposed to the sale of uranium “to any country that is not a signatory of the NPT” as this would, “inevitably undermine an already fragile NPT and wider non-proliferation regime”.<sup>84</sup> His leader, Kevin Rudd, subsequently stated in an interview on 17 August 2007 that if elected his Labor government would overturn the Howard government’s 15 August decision to authorize sales of uranium to non-NPT party, India.<sup>85</sup> Moreover, he also argued that the Howard government’s reliance on bilateral safeguards was insufficient to secure Australia’s national interests beyond those of an economic nature:

...fundamental national security interests for us and the next generation of Australians is at stake here. We respect the nuclear non-proliferation treaty and the IAEA because we have got to prevent nuclear weapons proliferation in our region, our neighbourhood, our own backyard. No one in Australia wants a nuclear arms industry aided by the US, in the Indian sub-continent or between India and China, because we have failed to ensure the upholding of the NPT.<sup>86</sup>

What a Rudd government approach to the sale of uranium and Australia’s role in the international non-proliferation regime would look like was also spelled out at this juncture with McClelland asserting that a Labor government would strive to “*establish and lead a new caucus of like-minded countries including both nuclear suppliers and nuclear users*”.<sup>87</sup> The objectives of such a caucus would be to: (1) Undertake a review to strengthen the NPT; (2)

Create new incentives for countries to remain within the peaceful nuclear community; (3) Ensure that countries within the peaceful nuclear community have the political, diplomatic, economic and military support they need to protect their legitimate national security interests without nuclear weapons; and (4) pursue the recommendations of the Canberra Commission.<sup>88</sup>

As we have seen in the preceding discussion, Australia faces challenges to its long-standing nuclear bargain from contemporary dynamics in the strategic, regime and market realms of international nuclear affairs. Strategically, Australia shares the Bush administration's perceptions as to the pre-eminent threats of the post-9/11 world, such as the acquisition of nuclear weapons, or other WMD, by "rogue" states or terrorist organisations. Moreover, the Howard government, through its participation in the "pre-emptive" invasion of Iraq, and support for other US counter-proliferation initiatives such as the PSI and BMD, had demonstrated that it too deemed that existing non-proliferation agreements and mechanisms were not in themselves capable of confronting the challenges posed by this strategic environment. Australia's position in this respect, however, presented the Howard government with considerable headaches in relation to some of its important bilateral relationships in the Asia-Pacific, not least with China. Meanwhile, Australia's close strategic alignment with the US raised questions as to the longevity of its traditional, vigorous support for the existing international non-proliferation regime underpinned by the NPT and IAEA. In particular, Howard's support for the PSI, the doctrine of pre-emption and the discriminatory application of proliferation standards (as seen in support for the US-India nuclear agreement) arguably added to the erosion of the logic of assurance that has been at the core of the NPT. These developments in the strategic and regime realms of Australia's approach to nuclear affairs occurred in parallel with international revival in the consideration of nuclear energy as a

viable energy option. As we have seen, this has provided Australia with considerable economic incentives to expand its role in the nuclear fuel cycle from simply being a supplier of uranium to include the enrichment of uranium and storage/disposal of nuclear waste. Moreover, these considerations have also stimulated debate concerning the development of a civil nuclear energy industry in Australia in the near future. While the victory of Labor in the recent federal election has resolved the issue of a civil nuclear energy industry in the negative, it remains to be seen how the Rudd government will attempt to activate its commitment to “multilateral middle power diplomacy” in the strategic and regime realms of Australia’s nuclear interests. However, given the change in of government the choices for Australia appear to be clear within the context of its strategic and market interests, but shrouded in uncertainty in the context of its regime interests. From the preceding discussion Australia’s interests within the strategic realm continue to be defined by the quest for security in a changing external environment. Under the Howard government this was to be achieved through three main strategies: pre-emption (eg. PSI); the discriminatory application of proliferation standards; and BMD. Given the statements made by Kevin Rudd and other senior Labor spokesmen during the election campaign noted above, it would seem that the new government will seek reorient Australia’s approach away from these three strategies in favour of renewed efforts to reinvigorate the existing NPT/IAEA system. In relation to Australia’s market interests, it is clear that the Howard government wished to maximise the economic potential of Australia’s uranium resources through an expansion of its role in the nuclear fuel cycle via the consideration of four policy options: expansion of uranium mining; enrichment of uranium; establishment of a civil nuclear energy industry; and the development of nuclear waste storage/disposal facilities. As we have seen, however, these interests stood in contrast to the Howard government’s declaratory commitment to the existing non-proliferation regime and its goals. Moreover, we have also seen that while Labor supports an

expansion of uranium mining and export it remains opposed to the consideration of the remaining three policy options. Thus, if the Howard years can be said to have seen Australia gradually become disenchanted with the existing non-proliferation regime's ability to not only prevent proliferation but also enhance Australia's national interests across the strategic, regime and market realms then, on available early evidence, the Rudd years may well be defined by Australia's renewed infatuation with the principles and norms that underpin the non-proliferation regime.

## NOTES

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<sup>2</sup> Commonwealth of Australia, *Uranium Mining, Processing and Nuclear Energy – Opportunities for Australia?*, (Report to the Prime Minister by the Uranium Mining, Processing and Nuclear Energy Review Taskforce, December 2006), p. 28.

<sup>3</sup> Jacques E. C. Hymans, "Isotopes and Identity: Australia and the Nuclear Weapons Option, 1949-1999", *The Nonproliferation Review*, (Spring 2000), pp. 12-14.

<sup>4</sup> For the Fraser government's response to the Ranger Inquiry see, Commonwealth Parliamentary Debates, (House of Representatives, 2<sup>nd</sup> Session of the 13<sup>th</sup> Parliament, 2<sup>nd</sup> Period), 16 August to 8 November 1977, pp. 645-660.

<sup>5</sup> See Wayne Reynolds, *Australia's Bid for the Atomic Bomb*, (Melbourne: Melbourne University Press, 2000) and Alice Cawte, *Atomic Australia*, (Kensington: UNSW Press, 1992)

<sup>6</sup> Thomas L. Neff & Henry D. Jacoby, "Nonproliferation Strategy in a Changing Nuclear Fuel Market", *Foreign Affairs*, 58, 4, (1979), p. 1125.

<sup>7</sup> For former Prime Minister Bob Hawke's view see, Bob Hawke, *The Hawke Memoirs*, (Melbourne: William Heineman, 1994), pp. 217-220.

<sup>8</sup> Richard Leaver, "'Middle Power Niche Diplomacy' and Nuclear Proliferation: The Failure in Success", in Richard Leaver & Dave Cox (eds.), *Middling, Meddling and Muddling: Issues in Australian Foreign Policy*, (Sydney: Allen & Unwin, 1997), pp. 193-200.

<sup>9</sup> For an example of this logic see, Gareth Evans, "Non-Proliferation and the NPT", Address by the Senator the Hon Gareth Evans QC, Minister for Foreign Affairs of Australia, to the NPT Review and Extension Conference, New York, 18 April 1995, <[http://www.dfat.gov.au/archive/speeches\\_old/minfor/gecc.html](http://www.dfat.gov.au/archive/speeches_old/minfor/gecc.html)>

<sup>10</sup> Marianne Hanson & Carl Ungerer, "The Canberra Commission: Paths Followed, Paths Ahead", *Australian Journal of International Affairs*, 53, 1, (1999), p. 7, Gareth Evans, "Achieving a World Without Nuclear Weapons", Address by Senator Gareth Evans, Foreign Minister of Australia, to the Opening Session of the Canberra Commission on the Elimination of Nuclear Weapons, Canberra, 23 January 1996, <[http://www.dfat.gov.au/archive/speeches\\_old/minfor/gecc.html](http://www.dfat.gov.au/archive/speeches_old/minfor/gecc.html)>, and Richard Leaver, "'Middle Power Niche Diplomacy'", pp. 195-196.

<sup>11</sup> See Alexander Downer, "The United Nations for the 21<sup>st</sup> Century", Address by to the 51<sup>st</sup> General Assembly of the United Nations by Australia's Minister for Foreign Affairs, Mr Alexander Downer, in New York, 30 September 1996, <[http://www.dfat.gov.au/cc/947\\_3.html](http://www.dfat.gov.au/cc/947_3.html)>

<sup>12</sup> Alexander Downer, "Australia and the United States: A Vital Friendship", speech by Mr Alexander Downer MP, Minister for Foreign Affairs, to the Australian Centre for American Studies, Sydney, 29 May 1996, <[http://www.dfat.gov.au/media/speeches/foreign/1996/aust\\_uni.html](http://www.dfat.gov.au/media/speeches/foreign/1996/aust_uni.html)> , Andrew O'Neil, 'Shifting Policy in a Nuclear World: Australia's Non-Proliferation Strategy Since 9/11', in Carl Ungerer (ed.), *Australian Foreign Policy in an Age of Terror*, UNSW Press, (Forthcoming), p. 7.

<sup>13</sup> Marianne Hanson and Carl Ungerer, "The Canberra Commission", p. 10.

<sup>14</sup> For the expression such rhetoric see DFAT (Department of Foreign Affairs and Trade), *In the National Interest: Australia's Foreign and Trade Policy White Paper*, (Commonwealth of Australia, 1997), Alexander Downer, "Charting Australia's Regional Future: The White Paper on Foreign and Trade Policy", Speech by the Hon Alexander Downer, MP, Minister for Foreign Affairs, to the Foreign Correspondents' Association, Sydney, 29 August 1997, <<http://www.dfat.gov.au/media/speeches/foreignaffairs/1997/wpaper29aug97.html>> & Russell Trood, "Perspectives on Australia's Foreign Policy, 1997", *Australian Journal of International Affairs*, 52, 2, (1998), pp. 189-190.

<sup>15</sup> See for example, Alexander Downer, "Address by the Hon Alexander Downer, MP, Minister for Foreign Affairs, to the Conference on Disarmament", Geneva, 30 January 1997, <[http://www.dfat.gov.au/media/speeches/foreign/1997/geneva\\_c.html](http://www.dfat.gov.au/media/speeches/foreign/1997/geneva_c.html)>, Alexander Downer, "Two Swords for the Beating", Address by the Hon Alexander Downer, MP, Minister for Foreign Affairs, to the Conference on Disarmament, Geneva, 3 February 1998, <<http://www.dfat.gov.au/media/speeches/foreign/1998/swords3feb98.html>> & Alexander Downer, "The NPT – Future Challenges and Outlook for the 2000 Review Conference", Keynote Speech by the Hon Alexander Downer, MP, Minister for Foreign Affairs, to the Conference on Nuclear Arms Control: Australian and Regional Perspectives Towards 2000, University of Queensland, 29 October 1999, <[http://www.dfat.gov.au/media/speeches/foreign/1999/991029\\_npt.html](http://www.dfat.gov.au/media/speeches/foreign/1999/991029_npt.html)>.

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- <sup>43</sup> George Perckovich, "Bush's Nuclear Revolution: A Regime Change in Nonproliferation", *Foreign Affairs*, 82, 2, (2003), p. 2.
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