Over the last decade Australia's national security circumstances have deteriorated significantly.

The proliferation of nuclear weapons continues – particularly within our own region.

The nuclear non-proliferation treaty continues to fracture.

And there has been little if any progress on nuclear arms reduction – let alone nuclear disarmament.

And despite recent progress on the Korean Peninsula it is sobering to reflect on the fact that three of the world's major unresolved territorial disputes (the Korean Peninsula, the Taiwan Straits and Kashmir) all involve nuclear weapon states or threshold states.

Militant Islamic terrorism continues to threaten Australia's national security interests – both at home and abroad.

Militant Islamism has an expanding sphere of influence within the wider Middle East and within parts of Islamic South East Asia.

Militant Islamism is driven by an ideology that can never be appeased given its overriding ambition to establish a pan-Islamic caliphate.

Militant Islamism's recruitment base is enhanced by the economic underdevelopment of large parts of the Islamic world.

Militant Islamism is also fanned by the continuation of the Iraq War – more than four years after "mission accomplished" was prematurely declared.

The uncomfortable fact for Australia is that we have become a greater terrorist target than would otherwise have been the case because of our participation in that war.

There are many inconvenient truths facing the Howard Government but one of the most inconvenient is the fact that Mr Howard's decision to participate in the invasion of Iraq is nothing less than the greatest failure of Australia's national security interests since Vietnam.

According to the British medical journal The Lancet, more than 600,000 Iraqis now lie dead.

According to the CIA, Iraq has become a magnet, inspiration and training ground for international jihadists.

And the degeneration of Iraq into civil war between Sunni and Shia has emboldened Iran – with potentially grave consequences for global oil supplies as well as Iran's capacity to extend its own strategic leverage across the wider region.

Mr Howard made a big mistake sending Australian troops to war in Iraq in the first place.

We should withdraw Australian combat troops from Iraq in a phased manner that involves consultation with the US.

Without an exit strategy, Australian troops could find themselves in Iraq for years to come.

It is important that Australia fight the war on terrorism effectively here in our own region, our own neighbourhood, our own backyard.

And in doing so, we've got to make sure that our counter-terrorism assets here in Australia are properly resourced.

The Police Federation Association states that they need an extra 700 AFP sworn officers to deal with the multiple tasks they are now being given.

That's why Labor has committed $200 million to the recruitment of an extra 500 officers in order to bridge this gap.

You can talk about terrorism with tough language. But you need to act when it comes to making sure we have enough capacity to deal with the threat – both at home and in the region.

Within our more immediate region, the 'Arc of Instability' to our North and North-East has gone from being a strategic concept a decade

ago to becoming an unsettling strategic reality today - with Jema'ah Islamiyah's continued operations in the Indonesian archipelago; police and military crises in East Timor; continuing challenges to political stability in Papua New Guinea; ethnic violence in Vanuatu; the implosion of law and order in the Solomon Islands; a series of coups d'etat in Fiji; a constitutional crisis combined with unprecedented street violence in Tonga; and Nauru the region's first properly defined failed state having also become a centre for international money laundering.

In short, the report card across the Arc of Instability over the last decade is not a good one.

It would of course be wrong to attribute this deterioration in Australia's immediate regional security environment exclusively to a failure of Australian Government policy.

But the uncomfortable truth is that Australian policy has, more often than not, been reactive rather than proactive; last minute rather than long-term; and military rather than economic.

That's why we need fresh thinking in response to these deepening challenges to Australia's national security.

Because unless we embrace a new strategic approach, the reality is that the long-term drift in Australia's national security interests in the South West Pacific will only get worse.

If we have seen such a quantum shift in the national security circumstances of our immediate region over the last decade, we should pause to reflect on the likely trajectory over the decade ahead.

For Australia, the trajectory is decidedly negative.

And absent policy change, the cost to Australian national interests will become greater and greater.

Let us be absolutely clear-cut about these potential costs:

- If more Pacific Island states become failed states, the cost to the Australian taxpayer of emergency police or military interventions will become massive. (Remember the projected cost of the intervention in the Solomon Islands alone is $1 billion and that is for a country with a population of only half a million);

- Second, the cost to the Australian taxpayer of emergency humanitarian assistance in the event of the collapse in food and medical supplies would also be massive;

- Third, increasing ethnic and political violence (combined with economic collapse) would produce a wave of refugees to Australia as a country of first asylum;

- Fourth, the explosion of the HIV – AIDS pandemic in PNG presents a growing risk to the public health of Australian communities in the Torres Strait and Northern Australia; and

- Fifth, the fragile nature of Australia's diplomatic relationships with many Pacific Island countries is creating an unprecedented strategic opportunity for other non-regional states to occupy the vacuum and to further displace Australian interests.

There are of course other challenges to Australia's national security interest including, the impact of climate change; the international narcotics trade; money laundering; arms trafficking; people smuggling and piracy.

The government's response to these multiple challenges has been at best variable – and in the case of climate change non-existent.

That is why Labor has proposed the creation of an Office of National Security if it forms the next Government of Australia – to integrate our national response to the complex, overlapping and multi-dimensional nature of Australia's emerging threat environment.

The purpose of my remarks today, however, is to advance some fresh ideas on how we deal with the future challenges we face across Australia's Arc of Instability.

Economic Challenges in the Arc of Instability

My overall argument is that there are deep economic drivers of the social and political instability that is causing havoc across much of Melanesia and beyond.

Unless and until Australian policy embraces the fundamental need to tackle the entrenched causes of underdevelopment, Australia will find itself locked into a cycle of episodic and expensive police and military interventions.

Much of Australian policy at present seems to be dealing with the symptoms rather than the causes of much of the instability that we see across the region.

Of course some may argue that this is a debate about what comes first – the chicken or the egg?

Can you have economic growth in the absence of political stability?

Or does economic decline make political stability (and ultimately physical security) simply impossible?

The truth is that the efforts we make to achieve economic growth and political stability reinforce each other.

But the reality is Australia's current strategy towards our region is unabalanced.

A quick examination of the region's economic report card is sobering.

As the United Nation's latest report on progress towards the Millennium Development Goals this week has shown, significant progress in economic development is being achieved in many parts of the world.

But in our own region, development has been lagging the rest of the world. Indeed, in some areas of the Pacific the best evidence we have suggests that economic development is going backwards.

AusAID's research concludes that economic growth among our Pacific neighbours has consistently been slower than both our region and other low income economies throughout the world.

In the period between 1990 and 2004, average annual growth rates in real GDP per person across the group of the world's poorest nations was 2.6 per cent – which represents some progress, albeit only modest progress.

But in many countries in our region the growth in per capita GDP was lower - just 1.0 per cent in PNG and 1.6 per cent in Fiji. Even more disturbing, there was an average contraction in real GDP per person of 1.9 per cent every year in the Solomon Islands, and a contraction of 5.0 per cent in Nauru.

Globally we are seeing progress in reducing absolute poverty – as measured by the international poverty line of income of less than $US1 a day.

But in the South Pacific, we are seeing increases in absolute poverty.

The World Bank has estimated that the proportion of the population experiencing absolute poverty in PNG increased from 25% to 40% between 1996 and 2003. That suggests that around 2.2 million people in this nation – once a colony of Australia – are living in absolute poverty.

A similar disturbing picture emerges when we look at key health indicators in our region.

In our region, life expectancy averages 70 years. But in PNG and Timor life expectancy is well below, at 55 years - though it is at least an improvement on the average of 44 and 40 years three decades ago.

Infant mortality levels in these two nations are more than three times the regional average. In Timor and PNG infant mortality levels are 64 and 68 deaths per 1000 births respectively, almost three times higher than the regional average of 20 deaths per 1000 births.

Most alarmingly for Australia, some 1.8 per cent of PNG's population aged 15-49 is now infected with the HIV/AIDS virus – approximately 100,000 people.

Similarly again, there are indications of progress in education outcomes going backwards in parts of the region.

Adult literacy in PNG has stagnated at 57 per cent of the population over the past fifteen years, while in the East Asia and Pacific region it has risen from 80 per cent to 90 per cent of the population over the same period. It is even lower than the average for low income nations, which the United Nations estimates at 63.

In fact literacy levels in Papua New Guinea have gone backwards, from 69 per cent to 67 per cent of the population in the core working population age bracket 15-64.

In fact if you look at the data across the region, East Timor, Papua New Guinea, Vanuatu, Fiji, Tonga, Nauru, Kiribati, Tuvalu, the Marshall Islands, the Federated States of Micronesia, Palau, Samoa, Tokelau and the Cook Islands are all on track to fail at least one of the eight Millennium Development Goals and (as previously noted in the case of PNG) on track to fail to meet all eight.

World Vision noted last year that:

- Fiji is not on track to meet targets for child mortality and maternal mortality;

- The Solomon Islands are not on track to meet four goals: on hunger, gender equality and mortality;

- Vanuatu is not on track to meet 5 of the MDG goals; and

- PNG is not on track to meet any of the 8 goals, and is well off track in primary completion rates, child mortality, reversing the spread of HIV/AIDS and providing access to improved water sources.

Of course these social and economic indicators are disturbing in themselves.

But across much of the region they fuel pre-existing ethnic and tribal tensions.

This can be seen in East Timor, the Solomon Islands, Fiji, Vanuatu and Tonga.

And it follows that if socio-economic conditions continue to deteriorate, so too will political and in some cases military tensions increase.

That is why we believe it is critical to address the region's economic development challenges as a priority for the future not just as an afterthought.

The Link between Economic Development and Security

As former UN Secretary-General Kofi Annan has written in relation to the Millennium Development Goals:

> *"There will be no development without security, and no security without development."*

Similarly, prominent economist Professor Jeffrey Sachs has warned that the failure of developed countries to adopt a strategic approach to development policy will only result in them being:

> *"called on to provide emergency assistance more or less indefinitely. They will face famine, epidemics, regional conflicts and the spread of terrorist havens."*

As Tony Blair has repeatedly argued, it's in the self interest of developed nations to help tackle poverty in low income nations:

"It is not merely right, but it is in our long-term interest to offer a helping hand out of poverty to the poorest regions of the world."

The World Bank's Pacific Regional Strategy for 2006-2009 sets out a framework for addressing the economic development challenges in nine of the Pacific Island states.

The Bank highlights the scale of the challenges:

- Rising unemployment, particularly among youth, as a result of weak economic growth;

- Youth unemployment and rural urban migration together contributing to a deterioration in law and order;

- Economies that rely too heavily on large public sectors;

- Poor delivery of public services and the lack of a clear relationship between increased resource flows and improved health or education outcomes; and

- In the long run there is nothing more important for the region than improved education standards:

  "The most important challenge for education in the Pacific region is that schooling is not adequately equipping children with the basic skills needed to pursue further studies and training or to succeed in the labour market."

The World Bank's report raises deep questions about the effectiveness of Australia's aid engagement with the region over the last decade.

It is disturbing to note that the Howard Government has already invested some $7.5 billion in East Timor, PNG and the Pacific Island states.

That's before you add the combined cost of military interventions in the region totalling more than $3.7 billion.

The question which Australian taxpayers will legitimately ask is: What return have they got for the more than $11.2 billion their government has spent on the neighbourhood?

By and large the economic indicators are heading in the wrong direction.

Many of the social indicators are heading in the wrong direction.

And so too are the security indicators.

And all of that is before we look to the $3.5 billion the government is proposing to spend again over the next several years.

And it is also before we factor in the cost of the continuing police and military commitments in the Solomons, East Timor and any other contingencies which may arise.

That's why we believe the time has come for a fundamental rethink of the direction of Australia's development assistance strategy in the region.

A Pacific Partnership for Development and Security

Today I announce that if Labor forms the next Government of Australia we will develop and implement a long-term Pacific Partnership for Development and Security.

This partnership must take a comprehensive approach to:

- One, tackling the collapse in primary education;

- Two, tackling the collapse in primary healthcare;

- Three, building basic economic infrastructure including roads and telecommunications as well as ensuring access to clean

water;

- Four, tackling the problem of urban male youth unemployment through targeted public works programs;

- Five, tackling the provision of microfinance in partnership with organisations such as Australian Business Volunteers and Australian financial institutions with existing expertise and commitment in this field, to develop business skills and the much underdeveloped private economy.

- Six, continuing the emphasis on good governance with a new focus on training regional leaders, public servants and technical experts through enhanced international scholarship programs, together with further enhancements to the University of Papua New Guinea and the University of the South Pacific; and

- Seven, continuing the provision of effective security assistance and capacity building with local police.

A Federal Labor Government will spend its first term in office negotiating agreed targets with each partnership country to be realised in each of these seven program areas.

For example, in education, we would negotiate a timeline to meet a target of universal primary education. This of course is one of the Millennium Development Goals and is one for which Australia should assume primary responsibility in this region as a development partner.

Unless we attend to the long-term human capital development of regional states, we will face insurmountable problems across the rest of the development and security agenda.

This in turn will go to the need for comprehensive audits of the state of the region's primary school infrastructure, including the adequacy of teacher training and the adequacy of curricula.

Having negotiated development partnerships with each regional state with targets and timelines, Australia would then commit to delivering the necessary project aid to ensure that projects are physically delivered.

Financial or budgetary aid will not form part of Labor's proposed Pacific Partnership for Development and Security.

Each of these partnerships will be governed by a joint bilateral commission which would not be dissimilar to that which has been established with Indonesia following the tsunami - the Australia Indonesia Partnership for Reconstruction and Development.

Partnerships will also provide business opportunities for Australian companies – acting in partnership with local companies.

Labor also believes our Pacific Partnership for Development and Security will provide an opportunity for engaging local councils of churches and other civil society organisations to deliver a range of health, education and local governance improvement programs on the ground across the region.

Australia Indonesia Partnership

A link between development and security also applies to Islamic South East Asia – most particularly the Indonesian archipelago.

Labor argued in its 2004 Foreign Policy White Paper that if we are to deal effectively with the rise of militant Islamism in Indonesia, we must also deal with the challenges facing the mainstream Indonesian education system.

Economic underdevelopment in parts of Indonesia has meant that many impoverished families have had little alternative other than to send their children to militant Islamist madrassas and pesantren.

This in turn provides a ready recruiting ground for terrorist organisations such as Jema'ah Islamiyah. Any effective long-term strategy for dealing with JI must have two prongs: a hard-line, hard-edged security and intelligence strategy aimed at tracking down,

arresting and destroying terrorist cells, as well as a hearts and minds strategy focussed on the education system.

Sidney Jones of the International Crisis Group (one of the most respected analysts of JI) highlighted the challenge we face in an opinion piece only yesterday entitled "Like Father, Like Son: Inheriting Jihadism":

> *"JI has a systematic indoctrination program that starts with pre-kindergarten playgroups and moves into kindergartens for Koranic study, Islamic elementary schools, and a small group of pesantrens (or religious boarding schools) across Java"*

Jones asks the critical question for our own future security:

> *"How are we going to draw children out of the jihadist network before the indoctrination sets in?"*

Her answer in short, is to help ensure those children have an economic future that does not rely on militant Islam:

- Working with education departments of local state Islamic universities to develop quality alternatives;

- Subsidising children's education at state schools; and

- Encouraging local businesses to invest in on the job training programs for young people in areas where JI schools are concentrated.

All this takes long-term planning, partnership and respect if results are to be achieved.

And it will also take highly targeted project aid.

However, as with our proposals for the Pacific Island nations, for any such program to be effective it will need to be comprehensive, properly funded and with clearly stated long-term targets.

Radio Australia

A comprehensive strategy to address the development and security needs of our region has many elements. One critical element is how we represent ourselves to our neighbours.

Labor believes that Radio Australia has an important role to play, particularly through its regional language programs in getting the message out about what Australia now wishes to do in partnership with the region. For a small investment we can have a great impact – exposing people in neighbouring nations to quality independent broadcasting and to an Australian voice.

It is well documented that Radio Australia's broadcast footprint for its shortwave services have been emasculated by the current government – in large part because of its decision to offload the powerful Cox Peninsula transmitters – and to lease them to an organisation called "Christian Vision".

Radio Australia has also been further emasculated through the slash and burn of its regional language programs. For example the number of Indonesian language specialists working for Radio Australia has been cut in half.

As part of Australia's reengagement with our immediate region, a Federal Labor Government will rebuild Radio Australia. There is so much good that Australia is doing (and more that it could be doing) in the region but we are not getting the message across to local communities. With the downgrading of Radio Australia we have cut off our nose to spite our face.

Conclusion

None of these proposals will be inexpensive.

The hallmark of Labor's proposed Pacific Partnership for Development and Security together with our proposal for the continuation of the Australia Indonesia Partnership for Reconstruction and Development and the rebirth of Radio Australia is that they are intended to be comprehensive.

They must also be properly planned for these partnerships to be real – and that will take time.

That is why if Labor forms the next government we intend to spend the first term auditing local needs, planning how these can be met long-term and negotiating detailed partnerships with our friends and neighbours in the region.

But we will then need to fund the programs which will flow from these partnerships.

We do not believe we can do this within the framework of Australia's existing ODA commitment. Labor supports the current government's stated intention of lifting Australia's ODA from 0.26% to 0.35% of GNI by 2010.

But if we are to be serious about realising a fundamental turnaround in our immediate region's long-term economic development and consequential political stability, Australia will need to increase its funding effort beyond 2010-2011.

That is why a future Australian Labor government will commit to raising our ODA to GNI contribution from 0.35 per cent in 2010 -2011 to 0.5 per cent by 2015- 2016.

This is also an important step in the right direction towards Australian doing its fair share of the work (particularly here in our own immediate region) to truly make poverty history.

A generation or two ago, we were a world leader in our contribution to poverty relief. At the start of the 1970's – under a Liberal Government – we were contributing 0.48 per cent of GNI.

Already as part of the commitment to the Millennium Development Goals, 16 out of the leading 22 advanced economies have made commitments to raise their contribution to development assistance to 0.7 per cent of GDP by 2015.

Both the government and Labor have said that it is in their aspiration to achieve the 0.7 per cent target that the international community has embraced.

Australia's national self interest demands that we turn this corner. It is in our own interests to tackle poverty in our region, as part of a wider strategy to deal with the impact of terrorism, climate change, pandemics and refugees on Australia.

As I have noted already today if we fail to do so, and as a result we fail to turn around the current economic and security trajectory for the region, we will face even greater costs in the future.

To repeat, these will include evermore expensive emergency military interventions; evermore expensive humanitarian interventions; refugees coming from the region to Australia in large numbers; greater risks to our own public health through communicable diseases quite apart from the erosion of Australia's long-term strategic standing as the principal power within the region.

Quite apart from it being in our national interest to act in this direction, it is also, in our view, the right thing to do because poverty is the enemy of all humankind.

Stabilizing the Arc of Instability is a core Australian national interest.

It is also in the long-term interest of our neighbours.

And it is also part of a new approach to national security policy under a Federal Labor Government.