Challenges for Australian foreign and security policy after the May 2022 election

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Background

The election of a new Labor government has seen renewed discussion about whether Prime Minister Albanese and his cabinet will take a fundamentally different approach to Australian foreign and security policy than the Morrison government that preceded it. Of particular interest here is how Albanese will seek to manage the numerous foreign and security policy challenges that Australia faces. On one level, Australia's responses to major sea-changes in regional and global order have tended to differ on the details rather than reflecting fundamental schisms over how to conceive Australian interests, and how to then formulate strategy to support them. But it is possible that a Labor government will go beyond this bipartisan trend in a number of key areas, and formulate foreign and security policy that reflects more than simple alterations of style over substance.

Hence in this *Looking Glass* we examine some of these challenges, raise some tentative options about the likely agenda of the Albanese administration, and how it might go about pursuing that agenda. We also include some suggestions of our own about how to make Australian strategic policy more agile and responsive in a fluid and complex contemporary threat environment.

We make five main findings:

1. Labor is likely to continue to invest in economic, military-security and institutional mechanisms to mediate the troubled Sino-Australian relationship, with an emphasis on navigating rather than attempting to reset it.
2. Australia's general policy settings with respect to great power competition in the Indo-Pacific are unlikely to shift considerably, especially in relation to the US alliance.
3. An Albanese government will remain committed to security agreements such as AUKUS, and investment in Australia's sovereign deterrent capabilities. But it will likely place more emphasis on diplomacy and 'nodal defence' efforts with allies and like-minded states.
4. Challenges such as foreign influence, cyber security and responding to political warfare are likely to receive more wholistic attention under the new Labor government.
5. In the South Pacific, the Albanese government it has already signalled that it will enhance diplomacy, aid and a new focus on climate change.

Navigating the Australia-China relationship

In a discussion with the Lowy Institute Director Michael Fullilove in November 2021, Senator Penny Wong outlined what she saw as the major differences and similarities between the Coalition and Labor approaches to foreign and security policy. Notably this included firm agreement with the Morrison government that Australia was entering the most difficult international environment since World War Two; the fairly blunt assessment that the relationship with the PRC depended more on Beijing than Canberra; and an acknowledgement that differences over the South China Sea, coercive trade practices and human rights would 'not go away'. And whereas Wong was critical of what she saw as the LNP putting domestic politics above foreign policy, she indicated strong support for the US alliance, and – as she put it – finding a 'settling point' in US-China competition where the guardrails for the relationship for those major powers were clear.

As an aspirational statement outlining Labor's agenda for Australian positioning on China, this appears both measured and sensible. Yet while the CCP leadership has at least reached out via Premier Li Keqiang to Prime Minister Albanese to congratulate him on his victory – the first major contact between the Chinese and Australian leadership for over two years – there have been no signals from Beijing that it is prepared to reconsider its policy of seeking to make an example of Australia by punishing it. In response to the Chinese overture Albanese has been firm thus far, indicating that ending China's economic coercion against Australia would be a precondition for restarting dialogue. This accords with a similar view recently articulated by former Prime Minister Kevin Rudd in *Foreign Policy*, who noted that the Chinese trade bans – encompassing some 20-25% of total Australian trade with the PRC – were deliberately intended to prompt Canberra to capitulate to China's unreasonable '14 demands', and that the Albanese government was correct not to budge. Calling for a 'realist premise' for the relationship with Beijing, Rudd correctly characterised Albanese as a Labor foreign policy traditionalist in the Gareth Evans mould: strongly supportive of Australia-US security ties, but also keen to maximise Australian interests through middle power diplomacy and good international citizenship.

But this is doubtless more easily said than achieved, and will depend on factors over which Australia has little control. Both the previous Morrison and new Albanese governments have recognised that the onus to take some tentative steps to defrost the relationship lies with Beijing: without this there is little Albanese will be able to achieve beyond an emphasis on civility. More important, though, is how China and the United States seek to manage their strategic competition. Washington's rhetoric here has been robust, but it has yet to fully articulate a coherent strategy for upholding order in the Indo-Pacific beyond some vague language around 'integrated deterrence'. Likewise, the US approach to strategic ambiguity with respect to Taiwan remains unclear, with statements by President Biden that America would defend Taiwan if it were attacked quickly walked back by aides. In other words, then, the trajectory of the Australia-China relationship awaits a clearer picture on the extent and nature of Sino-American rivalry in which Australian policy will have to operate in and respond to.

Managing Great Power competition: economic, military-security and institutional levers

How, then, might an Albanese government engage with the broader strategic issue of major power competition in Australia's geoeconomic and geopolitical environment? Here we can identify three arms of policy that Labor is likely to purse. The first of these pertains to economic relationships. While China is likely to remain a major trading partner for Australia (something that did not functionally alter in any case under Morrison), the Albanese government will be keen to advance alternative avenues for a diversified portfolio of Australian trading relationships. A key relationship here will doubtless be with India, where negotiations on a comprehensive Free Trade Agreement have been ongoing for many years, and have proven difficult for both parties to reach consensus on. Indeed, the recently announced 'early harvest' Australia India Economic Cooperation and Trade Agreement (AIECTA) interim deal still leaves many of the key sticking points for subsequent negotiations.

More generally a Labor government is likely to try and leverage existing trading relationships in South East Asia and in the wider Asia-Pacific space on three levels: bilaterally, minilaterally (involving specific agreements with complimentary economies) and within a larger pan-regional framework. One of the main areas of emphasis by past Labor approaches to order-maintenance has been to maximise Australian economic interests through inclusive trade regionalism (with APEC and Kevin Rudd's ultimately unsuccessful Asia Pacific Community being two notable examples). It would not be beyond the realm of possibility to see an Albanese government seek to amplify Australia's voice via efforts to kickstart a stalled free trading regime across the region. Naturally that will depend on both the Biden administration agreeing to commit to a new Trans Pacific Partnership, as well as a willingness by the PRC to continue to engage with a multi-layered regional institutional trade structure.

The second, and arguably most critical, arena of focus for the Albanese government will be on military-security relationships. Here there is unlikely to be significant changes from the Morrison approach with respect to the US alliance. And although shortly after the election there was some commentary about the potential for Labor to walk back agreements like AUKUS that speculation appears to have been unfounded, with the Prime Minister confirming that his government had supported – and would continue to support – the plan to acquire an Australian SSN capability. Where there may be differences concern increased government attention to oversight and project management, but that is more a natural function of the project's evolution than any particular policy differences.

Notably in other areas of defence policy procurement and development, including plans to develop sovereign long range strike assets as well as drones, there is virtually no difference between Labor's stated aims and that of the Coalition. Likewise in terms of the centrality of the US alliance to Australian national interests (what Kevin Rudd called the 'bedrock' of Australian strategic policy) there is no difference between the new government and the previous one. And on emerging institutional frameworks like the Quad there is similar bipartisan agreement, as witnessed by Albanese's trip to Japan for the Quad leaders' summit only hours after being sworn in as Prime Minister.

However, one area where Australia under an Albanese government may seek to differentiate itself from the previous Morrison government concerns what might be called 'nodal' approaches to security and defence ties. This was an evolution from the 'hub-and-spokes' model for US security alliances in Asia that began to take shape during the late Howard and early Rudd years. Essentially it refers to a move to multi-layered security cooperation not just between the various 'spokes' of US security partners and the American 'hub', but with increased emphasis on 'spoke-to-spoke' cooperation. The Trilateral Security Dialogue (TSD) launched by the Howard government was one example of this, and there have been some hints that a Labor government would seek to re-engage on a security and defence level with some of regional actors that have historically been important to advancing Australian interests. Noting that the idea of 'ASEAN centrality' in the Quad is an increasingly hollow claim, and that Labor figures have promised to enhance Australian diplomatic and security ties with Indonesia, Singapore and South Korea as well as Japan and India, such a nodal approach may well emerge as an important dynamic shaping the Labor government's attempts to uphold strategic stability and regional order.

Addressing challenges in the gray zone

Another priority area for Australian foreign and security policy under an Albanese government will be in responding to so-called 'gray zone' threats. While the term is an imprecise one – effectively referring to a catch-all in which security challenges short of kinetic conflict are placed – Australia is a target of foreign interference and influence operations, cyber-enabled disinformation campaigns, and cyber-enabled organised crime and commercial espionage. Its critical infrastructure is also vulnerable to disruption. And like any democracy which relies on tolerant and open discussion, Australian social cohesion can be disrupted by political warfare, the weaponization of information, as well as 'Baptist-Bootlegger' coalitions of hostile actors that might include states, disaffected and marginalised Australians, and other proxy networks.

Such challenges are notoriously difficult to guard against, and to fully inoculate Australia's economy and society against them is impossible. But it will be necessary for the Albanese government to deepen the work of previous advances towards the goal of national resilience. This will incorporate the ongoing development of Australia's cybersecurity strategy; partnerships between government and industry; and engagement at all levels of the Australian population to encourage cyber- and information- literacy. In other words, the challenge of developing resilience is a whole-of-society effort rather than simply a whole-of-government one.

The advantage the new Labor government inherits in this space is that much of the legislative and regulatory framework for national resilience has been under development for some time. Initiatives such as the Foreign Influence Transparency Scheme (FITS) the University Foreign Interference Taskforce (UFIT) and attention to the potential dangers of dual-use research have all been priorities of the outgoing LNP governments and have largely enjoyed Labor's support. The Albanese government is unlikely to seek to walk these back, but it does face some specific challenges in terms of incentivising research that is not China-centric in sensitive areas, and in developing other incentives to train and retain cyber security specialists to work for government rather than industry. Beyond that, it will also

need to focus attention on early detection and response to disruptive cyber attacks and information warfare campaigns by hostile actors for the foreseeable future.

Eyes on the Pacific

One of the first tasks for the Labor government will be to clearly articulate its response to changing power dynamics in the Pacific. The bilateral agreement between the Solomon Islands and the PRC in April 2022 has already received much attention from the Australian foreign and security policy community, especially since it potentially paves the way for the establishment of a PLA military presence. However, China's ambitions in the Pacific go beyond Honiara and its long-cultivated relationship with Prime Minister Manassah Sogavare. Indeed, the Chinese government has recently announced that Foreign Minister Wang Yi will embark on a major tour of the region, taking in eight nations 'including Solomon Islands, Fiji, Tonga, East Timor, PNG and Vanuatu', with the other likely candidates to be Kiribati and Samoa. On the back of recent reports that Kiribati may be next in line to be courted for a joint security agreement with the PRC, this makes the Labor government's task in a region Australia has been criticised for neglecting particularly urgent.

Of course, the primary reason Pacific nations are keen to engage with the PRC is the potential for significant investment, often along with the perception that there are fewer governance hurdles when dealing with Beijing than with Canberra. For its part, the Albanese government has indicated that it seeks to make Australia the 'partner of choice' for Pacific nations. During the election campaign Labor announced an extra $525 million in aid and development funding for the Pacific, and it is not surprising that immediately after being sworn in as Foreign Minister Penny Wong recorded a message to the region that emphasised the new government's commitment to work constructively with nations in the region, especially on climate change as their primary security concern.

These developments are promising, but Australia will face an uphill struggle to compete with the PRC in the region. For one thing, Beijing simply has significantly more development assistance firepower than Australia. If Australia is indeed to remain the premier partner for regional actors, it is likely to need to accomplish that goal in partnership with the United States. In this context the signals from Washington have been somewhat mixed. On the one hand, the Biden administration swiftly dispatched National Security Adviser Jake Sullivan to Honiara when news of the deal between the Solomon Islands and the PRC was announced, suggesting that the White House was keenly invested in ensuring its interests were upheld in the region. But on the other hand, with plenty of other matters to occupy it, the US under Biden has thus far not committed to significant investment in the Pacific – or even in South East Asia, where Biden announced a relatively small sum of US$150 million in American investment to counterbalance China's Belt and Road program.

Main findings and suggestions

Based on this analysis we see few real surprises in an Albanese approach to Australian foreign and security policy:

- In terms of the relationship with Beijing, Labor is therefore likely to continue to invest in economic, military-security and institutional mechanisms to

mediate the relationship's many challenges. At the same time it will seek to adopt a more controlled and neutral diplomatic tone. Hence the main emphasis will be on navigating the relationship with China rather than attempting to reset it.

- Australia's general policy settings with respect to great power competition in the Indo-Pacific are unlikely to shift considerably. Labor has repeatedly indicated that it is in agreement with the previous LNP governments' stance on the numerous challenges associated with China's rise, and the need to deepen the Australia-US alliance to balance against it. Yet it has also noted that it regards recent Australian rhetoric on China as needlessly inflammatory, and some policy announcements as more ad hoc than carefully planned.
- An Albanese government will remain committed to vehicles such as the Quad to support regional order-building, security agreements such as AUKUS, and investment in Australia's sovereign deterrent capabilities. However it is likely to try and supplement those with more activist coalition-building and nodal defence efforts with allies and like-minded states in North-East and in South-East Asia.
- Challenges such as foreign influence, cyber security and responding to political warfare are likely to receive more wholistic attention. This will increasingly need to focus on civil society to help build domestic resilience to fringe narratives and disinformation campaigns, coupled to efforts to harden Australian critical infrastructure against vulnerabilities to external interference.
- The South Pacific is fast becoming a zone of contestation between liberal order and assertive Chinese attempts to fracture that order through investment. The Albanese government has already signalled that it will refocus by engaging on climate change as the main security concern in the sub-region, building people-to-people ties, and avoiding charges of patrimonialism.

The reason there is likely to be significant continuity in Australian foreign and security policy under Labor is because there is already broad bipartisan consensus in terms of the threats Australia faces. It is also partly due to the fact that the challenges Australia will encounter are structural, in which fundamental departures from past policy are counterintuitive.

That said, there are opportunities for a Labor government to shape Australian foreign and defence policy settings in a way that focuses clearly on national interests.

Here we would argue that a more systematic approach to strategic policy will be crucial. The myriad economic, traditional and hybrid security challenges Australia faces require a comprehensive and joined-up response within government. Although there have been some positive moves towards inter-agency cooperation and a more wholistic approach to pursuing opportunities and mitigating threats, Australia's national security policy landscape remains relatively siloed. Labor's emphasis on restoring the reach and heft of foreign affairs may go some way towards assisting with this, but beyond some broad parameters a comprehensive whole-of-government Australian strategy still awaits clear articulation. There is a chance for Albanese to redress that uncertainty beyond new White Papers. This might include the following initiatives:

- An Integrated Review of foreign policy, aid and defence;

- The development of a [National Security Strategy](#) that articulates how Australia seeks to position itself in global and regional affairs;
- The development of an integrated analysis capability for threat forecasting;
- A dedicated inter-agency centre to monitor gray zone threats such as a [hybrid fusion centre](#).

Taken together, we would submit that initiatives like these are likely to enhance Australia's ability to identify, prioritise and respond to threats more swiftly and accurately, making government in this respect greater than the sum of its respective parts.