Why Australia Needs a Radically New Defence Policy

Paul Dibb, Richard Brabin-Smith and Brendan Sargeant
The Centre of Gravity series

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Why We Need a Radically New Defence Policy
Paul Dibb

Executive Summary

- Australia’s international security outlook is now very unpredictable and potentially threatening.
- For the first time since the end of the Second World War, Australia faces the prospect of a potentially hostile major power capable of threatening us with high intensity conflict.
- China’s projection of military power in the South China Sea is already constraining our ability to defend our strategic space.
- Southeast Asia is becoming a focus of Chinese power and coercion and could become a Chinese sphere of influence in the foreseeable future. This would have severe strategic consequences for Australia.
- We may soon face a similar situation in the South Pacific.

Policy Recommendations

- Australia now needs to focus on its own region of primary strategic concern, which includes Southeast Asia, the eastern Indian Ocean, and the South Pacific. We should get out of Afghanistan and the Middle East.
- We need to undertake a fundamental review of our overall relationship with Beijing and determine where its limits should lie.
- The US and Australia should clearly identify what aspects of Chinese behaviour they find unacceptable.
- We should aim for greater defence self-reliance. This means developing a Defence Force capable of denying our approaches to a well-armed adversary capable of engaging us in sustained high-intensity conflict.

Australia’s international security outlook is starting to look very unpredictable and potentially threatening. Australian defence planners must now deal with a world which is very different from any they have known before. America is undermining the international order, it has started a seriously escalating trade war with China, and it is threatening the unity of NATO. At the same time, China and Russia are becoming increasingly assertive militarily and aligned in their anti-Western attitudes. All this is taking place at the same time as a crisis of democracy in the West is distracting it from wielding its national power.

America’s new National Defence Strategy, launched by Defence Secretary Mattis in January this year, proclaims that interstate strategic competition, not terrorism, is now the primary concern for US national security. The central challenge to US prosperity and security is the re-emergence of long-term, strategic competition by the revisionist powers of China and Russia, which want to shape a world consistent with their authoritarian models.
Long-term strategic competition with China and Russia is now the principal priority for the US and requires increased military investment because of the magnitude of the threat they pose to US security today, and the potential for those threats to increase in the future. Mattis identifies the Indo-Pacific, Europe, and the Middle East as the three key regions prioritised for US preparedness for war. We should note here that he ranks the Indo-Pacific first, before Europe.

These key US judgements should be a wake-up call for Australia’s defence planners. We now live in a threatening world and it is no good pretending that China and Russia are not becoming serious military threats to the West and its values.

The former director-general of the Office of National Assessments, Allan Gyngell, has recently stated that the international order we have known for the past 70 years has now ended. He says: It’s not being challenged, it’s not changing, it’s over.

That statement effectively undermines important judgements of the 2016 Defence White Paper with its utterances – on more than fifty occasions – of the importance of the rules-based international order to Australia’s security. Gyngell observes that the two previous international systems ended in war. This one, he says, seems to be draining away, as its core components led by the US lose confidence in its purpose, and emerging powers see opportunities to assert their interests.

An American belief in the West’s international security system and willingness to invest in it with an effective network of alliances are now in doubt. Each of the three elements that have characterised Australian foreign policy since 1945 – the alliance, the region, and the rules-based order – now look very different. The Trump administration is pursuing interests and values in a number of areas which differ more clearly from Australia’s than any we have seen before.

At the same time, we are dealing with a China which is more confident, more powerful and more assertive. The speed and direction of change are challenging all previous comfortable assumptions about stability and peace in our region. The 2017 Foreign Policy White Paper argues that without American political, economic and security engagement, power in our region is likely to shift even more quickly.

The central question now is where will the leadership come from—if it is not America—to sustain a stable new international order without conflict? We all know how the international order ended in the interwar years as rising new powers were appeased.
We can take no joy in supposing that Trump will be gone in a little over two years.

Russia wants to see the end of NATO and a weak and divided Europe, which is increasingly in prospect given Trump’s undermining of the alliance. Trump sees Russia as merely a competitor, not a potential enemy. That is not the view of key European members of NATO. In contrast, Trump describes the EU as a ‘foe’ that he claims was invented to take advantage of the US economically.

Trump’s meeting in Helsinki with Putin on 16 July 2018 was an utter disaster. He described Putin as “extremely strong and powerful” and accepted his advice—over that of the US intelligence community—that Russia had not interfered with US elections. Trump’s meeting with Putin has boosted Russia’s image of itself as a great power (velikaya derzhava).

China wants to be acknowledged as the natural hegemon of Asia and to see an end to America’s alliance system in the region, including ANZUS. On current trajectories, it would not be surprising if much of the Indo-Pacific region in 2030 is substantially shaped by China. The status quo is not likely to continue. These are central strategic challenges for Australia as China increasingly asserts power into our strategic space, not only in Southeast Asia but also in the South Pacific.

At the same time, we are experiencing an increasingly unpredictable President Trump. He is boasting of having a trade war not only with China, but also the EU and Canada. If a fully-blown trade war results, the world will stumble into a moment of great geopolitical uncertainty. When this happened to the world in the 1930s the results were disastrous, including for Australia.

France’s President Macron has warned that the “rise of nationalist forces is plunging the system of international cooperation into crisis.” By comparison, in his speech in September 2018 at the United Nations, President Trump asserted that “We reject the ideology of globalism and embrace the doctrine of patriotism.” And so, we are witnessing a potentially dangerous global shift away from internationalism towards extreme nationalism.

And we can take no joy in supposing that Trump will be gone in a little over two years. There are enduring popular grievances in America about the impact of globalisation and foreign trade on employment that support his populist stance of ‘America First.’

We are thus in a period of unpredictable strategic transition in which the comfortable assumptions of the past are over. I am not one of those who believe that America is about to pull out of Asia, but I do think we need to give serious thought to what Australia should do if the US made it clear that it expects us to do a lot more for our own defence.

I suggest we need to focus on the following key challenges to deliberately develop a more self-reliant Australian defence policy.

First, we need to focus more on our own region of primary strategic concern, which includes Southeast Asia (including the South China Sea), the eastern Indian Ocean, and the South Pacific. We should get out of Afghanistan and the Middle East and reassert our influence in our own region, as China moves increasingly to challenge our strategic space and constrain the projection of our national power.

Second, while aiming for greater defence self-reliance it is vital that we continue to have access to highly advanced American military equipment, combat systems and weapons, defence science, intelligence and surveillance, to ensure that we maintain a clear margin of military advantage in our own region. The simple fact is that we have no credible defence future without access to the military advantages the US alliance provides directly to us. Increased defence self-reliance for Australia can never mean defence self-sufficiency.

We can take no joy in supposing that Trump will be gone in a little over two years.
Third, we need to undertake a fundamental review of our relationship with Beijing and determine where its limits should lie. We have become far too dependent on China for our economic well-being. We need to consciously diversify our trade, investment, tourism and international student businesses with other countries. These should include Japan, South Korea, India, Vietnam and Indonesia – as well as Europe, which is experiencing its own problems with China.

Fourth, the time has come for some serious long-term defence planning for Australia’s strategic future. It should include considering crisis situations in which the US may look to Australia to join it in military contingencies such as the South China Sea, the Korean Peninsula, the Indian Ocean and the South Pacific, and perhaps even Taiwan. Ministers and defence planners must avoid being caught by surprise by such events and seriously consider what our response might be, or not.

Fifth, we need to re-examine our core assumptions and messages about the Alliance and how it may function during future crises in the Indo-Pacific. In emerging conditions of uncertainty, allies need to focus harder on understanding each other’s interests and calculations of risk.

Allies cannot take each other for granted or make assumptions about one another’s future decisions, including mutual expectations about future contingencies and the use of military force. American actions and signalling will have a decisive effect on the choices we face as a US ally. We need to be alert to the gaps between promise and delivery in today’s American defence and foreign policies.

Sixth, the ANZUS Alliance has its best and most realistic chance to shape the long-term future regional order over the next few years. It will be much harder to influence and limit Chinese decision-making, and the strategic mindsets of other regional countries like India and Indonesia, in subsequent decades. Passivity on the part of the US and its allies will give China the initiative.

Chinese expansion in the South China Sea is a good example of Western passivity in the face of China’s political system, which can rapidly mobilise a coordinated effort to single-mindedly pursue its strategic interests. We may be seeing such Chinese behaviour being replicated now in the Indian Ocean and the South Pacific. Canberra and Washington need to be more direct with one another, and their polities, about this looming strategic challenge.
We must develop a stronger Defence Force capable of denying our approaches to a well-armed adversary.

Profound and corrosive change could occur because of the US and its allies being passive or distracted as China expands its dominance. In this regard, Southeast Asia is likely to be a focus of Chinese power and coercion and become a zone for incremental steps towards Chinese hegemony and a sphere of influence. This would have severe strategic implications for Australia. China’s projection of military power in the South China Sea is already threatening to constrain our ability to defend our maritime approaches.

The next few years are critical to shape the perception of the willingness of US allies to incur risks and costs in limiting China’s ability to dominate the region. The United States and Australia should clearly identify what aspects of Chinese strategic behaviour they find unacceptable. This will require greater willingness to signal to China where its behaviour will be resisted.

Finally, and above all else, we must recognise that we now face the prospect—for the first time since the Second World War—of a potential major power adversary, with whom we do not share fundamental values, operating in our neighbourhood and capable of threatening us with high intensity conflict.

To counter this eventuality, we must develop a stronger Defence Force capable of denying our approaches to a well-armed adversary. The key issue here is whether we are now entering strategic warning time regarding future conflict, and whether our capabilities are sufficient to sustain a credible defence posture in a deteriorating strategic environment.

Events could now become more serious, much more quickly. Therefore, more thought should be given to planning for the expansion of the ADF and its capacity to engage in sustained high-intensity conflict in our own defence – in a way that we haven’t previously had to consider for several generations.

Policy Recommendations

- Australia now needs to focus on its own region of primary strategic concern, which includes Southeast Asia, the eastern Indian Ocean, and the South Pacific. We should get out of Afghanistan and the Middle East.
- We need to undertake a fundamental review of our overall relationship with Beijing and determine where its limits should lie.
- The US and Australia should clearly identify what aspects of Chinese behaviour they find unacceptable.
- We should aim for greater defence self-reliance. This means developing a Defence Force capable of denying our approaches to a well-armed adversary capable of engaging us in sustained high-intensity conflict.
Future Challenges and a New Defence Policy
Richard Brabin-Smith

Executive Summary

✦ Expansion of military capabilities in our region, especially those of China, mean that the warning time for high-intensity contingencies is now much shorter than in previous decades.
✦ There is a consequent need to review the contingencies that form the basis for Australian defence planning, and the intelligence indicators and warnings associated with them.
✦ The readiness and sustainability of the ADF, and Defence more generally, need to be increased. Key areas include: combat pilots; surveillance, intelligence and cyber staff; munitions and maintenance spares; northern bases; and fuel stocks.
✦ At the very least, there is a need to identify the steps that should be taken now to shorten the time that future force expansion would take.
✦ Capabilities that could prove important additions to the Australian Order of Battle include improved strike capabilities for enhanced levels of deterrence.

Policy Recommendation

✦ All agencies involved in national security, but Defence in particular, need to recognise the extent and rate of change in our strategic environment, and plan accordingly. The differences from the past are already profound and will increase further. Readiness and sustainability, force expansion, and improved strike capabilities are areas that need critical attention.

Let me start with my conclusion: the strategic bus is leaving town, and if we don’t get on board, it will be all too late, and it will all end in tears.

It is difficult to overstate the significance of the strategic changes that we are now experiencing. Specifically, increases in the capacity of armed forces in the Indo-Pacific serve to undermine one of the critical foundations of what has been defence policy since the 1970s.

For one nation to contemplate the use of military force against another, it needs to have the motive, the intent, and, importantly, the capability to conduct operations.

What is it that we are changing from? In the 1970s, and for the next three-plus decades, no-one in our broad region had the military capability to do us much harm. Further, while motive and intent could change relatively quickly, it would take much longer for a potentially hostile nation to develop the necessary capability, doctrine and proficiency.

These were key observations. They led to the conclusion that, in the context of the defence of Australia, only lesser contingencies were credible in the shorter term, and that more serious contingencies were credible only in the longer term. This in turn gave rise to the notion of ten to 15 years of warning time for such more-serious contingencies. There was also the policy conclusion that the size and shape of the ADF should be sufficient to handle shorter term contingencies, and be the basis for expansion, during warning time, for more serious conflict. All this is familiar stuff.
In contrast, today, higher levels of military capability in the region are changing the basis that underpinned these policies. In particular, China continues to modernise and to expand its armed forces. This means that its ability to conduct operations at high levels of intensity and technological sophistication has increased, and will increase further.

This is not to paint China necessarily as our adversary, although as Paul has pointed out, China’s values and strategic ambition are already in some respects in sharp contrast to our own Australian values and interests.

Rather, it is to say that, because the capability exists or is planned to come into service, warning times for more serious contingencies are now potentially much shorter. Further, indicators of warning will come to depend more critically than in the past on assessments of motive and intent. Such judgements are inherently more subjective and fluid than assessments of capability. Strategic risk management therefore becomes more challenging.

What are the consequences for defence planning? I have five main points.

First, there is a need to reconsider the spectrum of possible contingencies: in particular, contingencies envisaged as credible in the shorter term will need to embrace higher levels of technological sophistication and intensity than in previous years. What would be the nature of such contingencies? What would be their context? How would Australia’s interests be engaged? What level of intensity and duration might be expected? How would they be conducted? How would the risk of escalation be managed? How would they be drawn to a conclusion? What might we plan to do to avoid them in the first place? And what are the implications for the force structure and its readiness profile? Such analysis would require a more sophisticated approach than one based on only lesser contingencies in the shorter term, and more serious conflict put off into the never-never.

Second, how should we approach indicators and warnings for potential conflict? The need for clear judgement in this area would be compounded by the likely absence of an obvious warning threshold, as there could be high levels of ambiguity. There could well be contestability between the intelligence assessment agencies, and between them and policy areas.

Third, and following from the prospect of shorter warning times, is the need to consider higher levels of readiness and sustainability. This is manifest in a wide variety of ways: ADF training levels; stocks of missiles and torpedoes; holdings of maintenance spares; the ability to sustain operations for weeks or months around the clock, with particular implications for surveillance, command and control, intelligence staff, cyber operators, and combat pilots; operational bases, especially in the north; and fuel stocks. In previous years, many consumables have been held at levels not much more than those appropriate to peacetime rates of effort and low levels of preparedness.

Fourth is the matter of the size of the ADF and its potential for expansion. On the one hand, recent years have seen some important new capabilities such as the Wedgetail early warning and control aircraft, the Jindalee radar network, better tanker and transport aircraft, and much-improved command arrangements. System for system, tomorrow’s ADF will be much more capable than yesterday’s. Further, by 2040 we will have a few more frigates, and by 2050 or so (which is a long way off) we will have doubled the size of the submarine force to 12 boats.
On the other hand, in many ways, the ADF now planned for is only modestly expanded from that of the benign years of the 1970s and 1980s, at the height of the “core force and expansion base” period. In many respects the numbers remain modest, especially against the prospect of more intense conflict.

Two issues follow from this. First, will the ADF be large enough to handle the more-demanding, short-warning contingencies that are now becoming a real prospect? Second, what would the modes and mechanisms be for timely expansion for the ADF, including over a much-reduced expansion period? We should at the very least identify the steps that should be taken now to shorten the time that future expansion would take.

A related issue, as Michael Shoebridge of ASPI has pointed out, is the need to consider attrition reserves, not just for peacetime accidents but also for combat losses on operations.

My fifth point is the matter of capabilities that could prove important additions to the Australian Order of Battle. Technology will bring new possibilities and imperatives anyway (such as hypersonics), but some specifics for consideration include improved strike capabilities for enhanced levels of deterrence (a point on which Brendan says more below), nuclear powered submarines (eventually) and an Australian maritime area-denial weapon, perhaps drawing on the formidable capabilities of the Jindalee radar network.

The other great policy challenge comes from uncertainty concerning the United States. What I have said so far assumes that the US continues with more or less its present levels of commitment towards its friends and allies in the Indo-Pacific.

What might America do that would be different from this? An obvious possibility is that the US would raise the threshold for its active involvement in its allies’ security. It would expect its allies to become more able to conduct operations in their own defence – a sort of Guam Doctrine Mark II. Currently we get privileged access to US defence capabilities, intelligence, science and technology, and doctrine. Provided this access continued, the consequences for us would be to increase the emphasis on what I have already mentioned: more readiness and sustainability, improvements to northern bases, attention to the expansion base, enhanced strike, etc. This would cost more but would not in itself represent a major redirection of policy.

Much more worrying would be if the US withdrew into its shell and significantly reduced its interest in the Indo-Pacific and its allies, and for that matter in the North Atlantic too. I believe this to be most unlikely, but if it were to happen, the consequences for us – and others – would be severe. Alternatives to American high-tech equipment would not be as capable, and probably just as expensive. Reduced access to US intelligence, science, etc would be a severe disadvantage. Further, with American withdrawal, we would expect a more assertive China to fill the vacuum.

A particular concern would be the end of extended nuclear deterrence, not just for us but for other US allies in the Pacific, Japan especially. To say the very least, such a development, and the prospect of nuclear proliferation in the Pacific, would require Australia to review its own position on nuclear weapons.
Time is not on our side. We cannot afford complacency.

What I have just outlined is not a counsel of despair. Far from it. In many ways, today’s Defence Force is in good shape, and the modernisation plans are impressive and reassuring. Our relationships with such countries as Japan, Indonesia and India are already a good basis on which to build, and to advance our shared interests in the security of the Indo-Pacific.

While past policies cast a long shadow, Defence itself recognises that changing times mean that policies themselves must change. However, whether the rate and extent of change are sufficiently recognised is a moot point. And as Brendan argues in the following essay, a higher level of strategic imagination would help position us better for the future.

In conclusion, time is not on our side. We cannot afford complacency. Our future strategic circumstances will be much more demanding than those of the past 40 years, and we need to respond to these changes now. The strategic bus is leaving, and we need now to get on board. Otherwise, it will be all too late.

Policy Recommendation

All agencies involved in national security, but Defence in particular, need to recognise the extent and rate of change in our strategic environment, and plan accordingly. The differences from the past are already profound and will increase further. Readiness and sustainability, force expansion, and improved strike capabilities are areas that need critical attention.
Strategic Imagination and Defence Policy in a World in Transition
Brendan Sargeant

Executive Summary

✦ The Indo-Pacific strategic order is in a period of major transition. This is a dangerous time because countries will behave in unexpected ways as they seek to maximise their position in a changing strategic order.
✦ Current Defence and National Security policy frameworks are not an adequate guide to decision making when considered against the scale and nature of change taking place.
✦ In times of transition, presence matters. Our diplomatic and defence engagement in the Indo-Pacific is insufficient to meet its challenges. Australia will need to work harder and build greater diplomatic presence and stronger defence capability to be relevant and effective.

Policy Recommendations

✦ Policy frameworks and implementation strategies that strengthen Australia’s capacity to act independently in the Indo-Pacific should be developed now.
✦ We should recognise that the regional environment is likely to evolve in ways that will require us to lead a response to a major regional crisis and we should prepare for that.
✦ We need to build capabilities that give us more deterrence with less reliance on Alliance systems.
✦ We should increase our spending on defence, recognising that the only criteria for determining whether the defence budget is adequate should lie in how much capability it allows us to acquire or develop in response to strategic risk.

We know that the world we have lived in is changing in profound ways; we do not know what the future will look like. Any genuine crisis is a challenge to imagination. Such a crisis will challenge who we are and what we can be.

The challenges to our security in the emerging strategic order of the Indo-Pacific are first a challenge to our strategic imagination. To respond effectively, we will need to imagine our place in this order and work to shape it to our interests.

So, we must think radically about policy and strategy. I say “radically” because thinking must, over time, consider the fundamentals of our strategic environment, the ways in which it is changing, our place in it, and the measures we need to take to ensure security and prosperity. The changes we are seeing call into question the utility of current policy frameworks as a guide to action in the future.
For decades, Australian defence and strategic policy has been guided by the overriding goal of maintaining strategic stability in the Indo-Pacific in ways that supports our national interests. Australia has pursued this goal in three ways.

- We have supported and participated in the creation of regional communities of interest.
- We have pursued regional capability and capacity building through bilateral and multilateral defence cooperation.
- We have intervened to help resolve regional crises, either in the context of natural disasters or in relation to political challenges such as Cambodia, Timor and the Solomon Islands (RAMSI), or more recently, Marawi.

This has occurred in an environment that has been stable and underpinned by US power and broadly agreed assumptions, now under challenge, about the nature of the strategic order and how it should work.

Our strategic goal may not change that much, but we are going to have to work a lot harder to achieve it. Strong defence capability signals both the willingness and the capacity to defend our national interests, with force if necessary. It ensures that we are taken seriously in our region.

Australia’s strong defence capability has for decades been one of the foundations of Australia’s ability to build community, build regional capability, and ensure Australia’s influence in regional decision-making. How we build capability in the future will be the key to our capacity to continue to exercise influence and support regional security.

Policy allocates priorities for action and guides decisions, but it can also create blind spots.

Policy is important. It is much more than words. Policy establishes how we understand the reality we are in and guides our decisions. The question for policy is not only what does it enable us to see so that we may make decisions with confidence, but what does it prevent us from seeing? What does current policy suggest are our blind spots?

The Foreign Policy White Paper, the central foreign policy document of the government, argues that the world is changing but that we have an abiding interest in the continuation of the current rules-based order.
The border has emerged as perhaps the central organising idea for much of our national security thinking. Central to this is the idea of the border and the necessity of border integrity. This goes with a trend in thinking that suggests that the border embraces and mediates every aspect of our relations with the rest of the world.

This gives policy and strategy development an operational focus because most threats to border integrity, real or imagined, demand a short-term operational response. Strengthened policing and a hardening of the border, in the context of the challenge of the changing strategic order in the Indo-Pacific, is insufficient as a conceptual framework to guide policy and decisions about future engagement in the Indo-Pacific strategic system. More profoundly, it suggests a failure of strategic imagination because it turns us inwards, embodies a fear of the world, and either narrows or takes us away from engagement with the Indo-Pacific.

The 2016 Defence White Paper was a landmark document because it established a funded investment program that will guide development of the ADF for the next decade, particularly the rebuilding of the Australian Navy.

The White Paper does not establish priorities for force structure planning, but focuses on Australia’s Strategic Defence Interests and consequential Strategic Defence Objectives. These Strategic Defence interests are:

- a secure, resilient Australia, with secure northern approaches and proximate sea lines of communication;
- a secure near a region, encompassing Maritime Southeast Asia and the South Pacific;
- a stable Indo Pacific region and a rule-based global order.

Each of these Strategic Defence Interests has allocated to them corresponding Strategic Defence Objectives.

The conceptual problem is that the White Paper gives equal priority to each of these Interests and, by extension, the Defence Strategic Objectives.

The problem of having Strategic Defence Interests and Strategic Objectives of equal priority is that priorities for capability building and strategic decision making are then conditioned by whatever the current crisis is. Short-term crises, which are visible, will often take precedence over longer term crises, which are not so visible.
What should we do?

We are in a period of transition. A characteristic of periods of transition is that the strategic environment will be ambiguous. We see experiments and hedging. We will see countries, large and small, across the Indo-Pacific behaving in unexpected ways as they seek to position themselves in a potentially different strategic order.

Because we don’t know what the future will bring, the past can become very seductive because it is what we know. Policy therefore becomes very important because the task of policy must be to help us see the reality of our strategic environment and to guide decisions to respond.

So, what should we do? I have four suggestions.

**We need more diplomatic and defence presence across the Indo Pacific, combined with a much more ambitious vision for our defence regional engagement.**

We need to increase presence and build integration at the force level. In times of transition, presence matters. Presence means you are there, and that you can respond both operationally and strategically to events, both to solve problems now and to create the decision-making structures of the future. We should increase our presence in the region, both in diplomacy and Defence.

For Defence, the guiding policy framework should be on capability building to create the capacity for forces to integrate to deal with both strategic and operational challenges. Forces should be capable of integration to respond to contingencies at every level of potential threat. Integration must embody partnership, including acceptance of leadership from other countries when that is appropriate.

With Indonesia, the country of most importance to Australia and our long-term security, we should build integrated capability to a level where we can create and operate a combined task force that can be led by either Indonesia or Australia and be capable of dealing with a major regional security challenge. The operational test for capability building should be the capacity to integrate forces.

The task of policy must be to help us see the reality of our strategic environment.
The strategic test should be the capacity to operate as an integrated force in high intensity contingencies, to either resist coercion or signal willingness and capacity to do so.

Increased presence that reflects genuine partnership aimed at building integration, requires a profound change in strategic and operational culture both for Australia and for our regional partners.

We need to be ready for leadership.

We need to understand, build and use defence capability strategically.

We build and use Defence capability to strengthen our position in our strategic environment – to make us more powerful. An ADF that possesses major strategic capability increases Australia’s ability to act independently or in coalition. The primary lens for future capability development should be on the extent to which it contributes to this goal.

Emerging capabilities such as the Joint Strike Fighter, the Future Frigate and the Future Submarine will change our strategic environment, increase Australia’s military power and will create new opportunities for engagement and capability building in the Indo-Pacific.

We need to understand what these capabilities represent strategically—how and where they can increase Australia’s power—and the ways in which we might continue to develop and use them to increase our ability to act independently and support our national interests. One of the major implications of these capabilities is that in giving Australia more power, they will give Australia more capacity and opportunities for leadership.

I make the point that our experience of leading in response to a major security crisis in our region is limited. In recent history, it is only the Independence of Timor Leste that I would consider a major security crisis that directly engaged our interests and where Australia had to exercise leadership.

We should build deterrence capability that is independent of Alliance systems.

The Alliance enhances our deterrence because our deterrence capabilities are integrated into larger Alliance systems. Policy should focus on strengthening our capacity to exercise deterrence without necessarily drawing on Alliance systems. It may mean a greater focus on developing indigenous capabilities that have deterrent effect. It may also condition how we want to think about and use some of the emerging strategic capabilities such as the Future Frigate and the Joint Strike Fighter.
We need to rethink how we measure the adequacy of Defence budgets.

We should understand that budgets drive capability, which in turn determines our capacity to operate effectively in our region. We are getting smaller in relation to other economies of the Indo-Pacific. This means that if nothing changes, we will over time have less power, including military power. To offset this, we will need to increase our defence capability. This means that we will need to put more resources into Defence. The Defence budget ($31.2B in 2018-19) is significant, but by no means the largest item of projected Commonwealth expenditure. It is less than expenditures on Health ($76.8B), Education ($34.7B), and Social Security and Welfare ($176.6B).

The measure of the adequacy of the Defence budget does not lie in how much a proportion of gross domestic product it represents. Nor does it lie in the share of annual budget allocations across Commonwealth expenditures. The only meaningful measure of whether the Defence budget is adequate lies in how much capability it allows us to acquire or develop. It is the level of capability that determines the contribution of Defence to our ability to support our national interests in the Indo-Pacific.

Ultimately, ‘how much is enough’ rests on a judgement about the level and nature of strategic risk and the extent to which we want to try and mitigate it through capability building. As each of us argues, from different perspectives, our strategic risk is increasing.

In summary

The changes to how we participate in the Indo-Pacific will be profound. We will not only have to reimagine what we do, but in some ways who we are. We need to build much greater defence integration with countries of the Indo-Pacific, particularly Indonesia.

We need to build capabilities that give us more deterrence with less reliance on Alliance systems. Priority for capability development should focus on increasing our capacity to support our strategic interests in the region where we live. We need to be ready for leadership in the event of a major security crisis that engages our national interests.

In summary, we need defence capability that can support our participation in a world where the “rules” are likely to be negotiated continually and where the capacity to exercise force will be an essential foundation of our ability to live in this world as we want.

Policy Recommendations

✦ Policy frameworks and implementation strategies that strengthen Australia’s capacity to act independently in the Indo Pacific should be developed now.
✦ We should recognise that the regional environment is likely to evolve in ways that will require us to lead a response to a major regional crisis and we should prepare for that.
✦ We need to build capabilities that give us more deterrence with less reliance on Alliance systems.
✦ We should increase our spending on defence, recognising that the only criteria for determining whether the defence budget is adequate should lie in how much capability it allows us to acquire or develop in response to strategic risk.
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