

Bracing for the Asian century

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The biggest questions for this year's defence white paper concern China. How does China's rise affect Australia's strategic situation and what does it mean for our defence needs? It's an awkward time for the Rudd Government to face up to these momentous issues, especially in view of the global economic crisis. That crisis has not made the questions go away.

It is still likely that China's economy will overtake that of the US within a few decades, and as that happens China's strategic and political power will steadily grow. The US will lose the position of uncontested strategic primacy that has kept Asia so stable, and Australia so safe, over the past four decades.

What will this Asian century be like? Much depends on how China uses its new strength and how the US and others respond. All the leading powers have immense incentives to build a stable new order that accommodates China's power and preserves the peace. But history shows how easily these power transitions slide to strategic competition and war.

Australia faces two great challenges in this situation. First, to do whatever we can to help build a peaceful Asian order that matches the new realities. Second, to do what we can to ensure that if that fails, Australia will be able to look after itself in the more turbulent Asia that would result.

That second task is the key question for defence policy today, and the focus of this paper.

Any government would be tempted to avoid this question by saying that we do not know enough about the future to decide what defences Australia might need. China's rise might falter, for example. Quite true, but we have little choice. Armed forces take so long to build that unless we begin before the future is certain, we will leave it too late to respond to events as they occur. The whole art of good defence policy is, therefore, to make clear and rational decisions today about how best to meet highly uncertain future threats.

That is hard, so in defence, governments usually decide to simply keep doing what their predecessors did. For the Rudd Government, that means following the Howard government's white paper, Defence 2000, which significantly widened Australia's strategic objectives but did rather less to build the forces to achieve them.

Kevin Rudd and his colleagues will, therefore, face two questions. Do they stick with Defence 2000's more ambitious objectives, expand them further, or trim them back? If they maintain or expand them, how do they reshape the Australian Defence Force to match, and how much do they spend?

Their first step will be to assess the kinds of risks that Australia's armed forces should manage. Some will argue that addressing security problems such as global warming and terrorism will be more important in future than more traditional military tasks. Ministers are likely to conclude that serious though these problems are, armed force is not the answer and that the more traditional tasks remain important and should be the focus of defence planning. They are also likely to conclude that while Australia has interests across the world, defence planning should give priority to strategic risks in our neighbourhood and the Asia-Pacific region.

They will start close to home. Indonesia remains Australia's only close neighbour that could pose a strategic risk, but that risk has been limited not only by generally good relationships but by Indonesia's weak air and naval forces. There is no reason to expect relations to sour,

but if Indonesia's economy grows strongly it will most likely expand its air and naval forces. Australia cannot assume that our wide margin of advantage over Indonesian forces will last.

Elsewhere in Australia's immediate neighbourhood the biggest risks we face are from weak and failing states. Australia's concerns about their stability and commitment to help have increased sharply in recent years. There remains a clear risk that even bigger problems could arise, especially in key neighbours such as East Timor, Papua New Guinea and Fiji, and that Australia could want options to respond militarily. Whether we did would depend on the wider Asian situation.

Just as Australia's strategic outlook has been dominated in past decades by American primacy in Asia, so in future it will be shaped more than anything else by what follows as America's primacy fades and China's grows. The biggest risk is not that China becomes a direct threat to Australia but that the erosion of American power unleashes strategic competition among Asia's strongest states, which in turn increases the risk that Australia could face a number of military threats to its interests, even its territorial security.

We can escape that risk if the US, China, Japan and eventually India can avoid escalating strategic competition by negotiating a new understanding to replace the one that has kept Asia so peaceful for the past 40 years. The essential basis of any new understanding would be a more equal sharing of power. But is the US really willing to treat China as an equal? And will China settle for anything less? And can either treat Japan as an equal? And will Japan -- still a huge power -- settle for less than China gets? Unless these questions can be resolved, it is hard to see how escalating strategic competition can be avoided in the longer term. That would pose all kinds of new strategic risks for Australia. Would we side with the US if it gets dragged into confrontation and conflict with China? Or would we stand aside and see our alliance dwindle? Either way, we would face more challenging strategic risks and harder choices than we have faced since the 1960s.

So the white paper needs to ask how these developments in the wider Asia-Pacific might affect Australia's security, how could armed force help protect those interests, and what kinds of operations would be required. Defence 2000 defined a concentric hierarchy of five strategic interests, from the defence of the continent out to preventing of domination of Asia by a single Asian power, with a series of strategic objectives to match, and sketched two distinct operational options to achieve them.

In the new white paper the Government will find it hard to justify cutting Australia's interests and objectives as strategic risks grow, and may even have to consider expanding them. That will require it to focus more closely on how those objectives can best be achieved. The operational concept of maritime denial that has underpinned much Australian defence thinking for decades probably remains the best bet, but to exercise that option in tougher circumstances will require more carefully designed forces.

The blunt truth is that our existing and planned forces will not be able to achieve the strategic objectives set for them over the past decade, let alone any wider objectives that may be set in future. The army is too small for the stabilisation operations we expect it to undertake in the immediate neighbourhood, and our air and naval forces are too small and insufficiently advanced to offer the operational options we seek. Today the "balanced force" we have inherited from the 1970s has a little bit of many things but not enough of anything to achieve a significant strategic result. It will be fine if the next few decades are as peaceful as the last few. But is that a good basis for defence policy?

To provide future Australian governments with genuine military options to protect Australia's strategic interests if Asia becomes more contested, our defence planning needs to focus on the capabilities that provide those options most cost-effectively. That means making harder choices about the kinds of forces we need and those we do not. What would a focused force look like? For the army it means giving priority to expanding the number of infantry battalions to increase our capacity for stabilisation and other lower-intensity operations, especially in Australia's immediate neighbourhood. These forces need good firepower and armoured vehicles, but we should not invest in land forces for intense continental or amphibious

warfare, because Australia will never have the capacity to achieve significant strategic effects in Asia with land forces. In conventional conflict our strategic weight will depend on air and naval operations.

At sea, we should invest in a much bigger fleet of submarines, which are most cost-effective for maritime denial, and stop building highly vulnerable and extremely expensive surface ships for which there is no clear strategic purpose. And in the air we need to ensure a robust air combat and strike capacity against the kinds of forces that major-power adversaries will have in the 2020s and '30s. That means aircraft at least as capable as the joint strike fighter, and many more of them than planned at present.

This kind of force would cost a lot of money. Today ministers are focused on the short-term fiscal consequences of the financial crisis, but the key decisions they face in defence concern long-term capability development priorities that will not affect the budget much for 10 years or more. The question, then, is what level of long-term defence spending are we prepared to consider? For more than a decade Australia has spent 2 per cent of gross domestic product on defence, which is the lowest level since World War II. With better management we could sustain our present force over coming decades at about that level of spending, but our relative strategic weight would decline. To build a focused force to achieve Australia's long-term strategic objectives as they are now defined would need spending 2.5 per cent of GDP or more. This is not unthinkable: it is comparable with our defence spending in the 1970s and '80s.

Ministers will be tempted to say we can afford all the forces we need within current funding projections if it is spent more efficiently. That may be wishful thinking. Huge efficiencies in defence are possible but they will require really forceful leadership to achieve, and that has been lacking for a long time. And even if new brooms can turn defence on its head, the long-term trends suggest that Australia has no choice but to spend more on defence or accept a steady decline in strategic weight. A mere 20 years ago Australia's economy was the second largest in Asia after that of Japan: larger than India's or China's. How quickly the balance has shifted.

That raises deeper questions about Australia's place in our region and, indeed, the kind of country we are. Will we remain a middle power in the Asian century, or join the small powers? Addressing these questions will pose a challenge for our political processes, in the same way that climate change does. But we have faced such choices before. When Britain's power declined in the late 19th century and when modern Asia appeared after World War II, Australia remade its place in the world to meet new conditions. We face a similar challenge today, and the new defence white paper is an important opportunity to start addressing it. Whether it does so will help indicate whether our leaders are up to the task of preparing Australia for the Asian century.

This is a summary of a forthcoming Lowy Institute paper, *A Focused Force: Australia's Defence Priorities in the Asian Century*, by Hugh White, to be published on Wednesday. White is a visiting fellow at the Lowy Institute and professor of strategic studies at the Australian National University.