

# Better ways to defend Australia

Stephen Bartos

Australia's national security conversation is often framed around Defence procurement. At the most basic level, such discussions might address the merits of different platforms; at a higher level, the debate might be about the relative merits of different sorts of capability or the best mix of capabilities to acquire. Rarely, however, is security discussed more broadly in the context of economic, cultural, trade or other national policy considerations. This leads to significant gaps in our thinking, and perpetuates ineffective policy responses. As Joyobroto Sanyal recently noted,

while defence of territorial sovereignty is fundamental to national security, it is not sufficient ... it is worth asking if a somewhat exclusive focus on hard security makes the country exposed to greater strategic vulnerabilities and also stands in the way of deeper strategic international engagement.<sup>1</sup>

A recent contribution to the security debate, *How to Defend Australia*,<sup>2</sup> while covering a wide scope, nonetheless errs on the side of the hardware rather than the more comprehensive social and economic perspective on security. Its author, Hugh White, a former Defence Department deputy secretary and now Emeritus Professor of Strategic Studies at ANU, is an influential voice in Australia's national security policy community. He argues that Australia faces a choice: without a very large increase in Defence spending our future will be less secure. It is a contestable position.

Indeed, given White believes Australia should have more extensive and rigorous debate on the issues, it is possible some of the argument (including a speculative chapter about Australia acquiring nuclear weapons) is deliberately provocative precisely for the purpose of engendering debate.

In that spirit, this article questions the proposals advanced and their underlying assumptions. Many of the propositions advanced by White are well founded and important. They include an assessment that the international environment in which Australia is located poses significant security challenges, and a case following logically from this proposition that current spending is not consonant with meeting these challenges. There are suggestions as to how existing Defence spending programs could be cut back. To this point the propositions are consistent. The weakness is the presumption that if current spending is not working, additional spending (far more than that which it replaces) will improve Australia's national security; and the specific items White proposes be purchased from the increased spend are themselves highly questionable.

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1 Joyobroto Sanyal, 'Shaping Australian Foreign Policy in the 21st Century: Thoughts on a Reflective Framework of Analysis', *Security Challenges*, vol. 15, no.1 (2019).

2 Hugh White, *How to Defend Australia* (Carlton, Vic.: La Trobe University Press with Black Inc., 2019).

If Australia does face a choice about future security, there is a prospect that a more effective choice would be to cash in the savings proposed by White (primarily, a significant reduction in the number of surface ships and a different type of army) without substituting new spending in the form of the expensive alternatives he proposes. These savings would be available for other more strategic uses. For example, they could potentially deliver more effective security improvements if applied to initiatives in connectivity, cyber security, regional linkages and Pacific alliances.

This article takes an economic perspective rather than the Defence or international relations view. French President Clemenceau is reputed to have said war is too important to be left to the military. Whether or not apocryphal, the saying continues to have resonance with democratic governments worldwide. National security requires wider perspectives than those from Defence. Defence, intelligence and international relations are of course important, but contributions to the discussion from economic, infrastructure, information technology and industry policy positions are equally relevant and need to be considered.

## Real Options

Economics asks key questions about security: does our national investment represent value for money, and is it maximising national welfare. In addressing these questions, new analytical tools have the potential to provide more thorough answers than a simple tabular approach ranking cost against capacity. Traditional discounted cash flow analysis, or analysis of a project's or portfolio of projects' net present value, are poor aids to decision-making under uncertainty.<sup>3</sup> Faced with an uncertain future, creation of options—allowing future investments to be adjusted to meet future needs, which may not be known or even foreseeable at present—is a better approach. Applying this to Defence, investments in large and complex platforms (generally, ones that require a long lead-time and heavy up-front commitments) are less preferable to smaller investments or investments staggered over time and flexible in commitments—these create options, and options have values that can be measured and analysed.

Real options<sup>4</sup> theory has developed over the past two decades in finance and economics. It has immediate application to the security environment. Real options related to security could be physical assets such as specific platforms, collections of assets and supporting infrastructure, or more broadly the capacity to take action in the future. Real options are particularly applicable to capability. As Kulgat and Kulakilata note, “capabilities, or core competencies, are strategic options that provide platforms for the exploration of market opportunities ... Investments in these capabilities have an irreversible character because of the complex interdependencies among organizational and technological elements”.<sup>5</sup> Substitute ‘strategic opportunities’ (or ‘strategic challenges’) for “market opportunities” and the article could as easily have been written about national security.

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3 Pindyk Dixit, *Investment Under Uncertainty* (Princeton, NJ: Princeton University Press, 1994).

4 Termed ‘real’ because the options relate to tangible things (assets, construction projects, staff capabilities and so on) as distinct from put or call options in finance markets.

5 Kulakilata Kogut, ‘Capabilities as Real Options’, *Organization Science*, vol. 12, no. 6 (2001), pp. 744-58.

An analysis of the proposed White options and alternatives based on real options would be possible, albeit that such work would require extensive data collection. The advantage would be a firmer base on which to make an informed choice. What discussion there has been to date on *How to Defend Australia* has been in essence about questions of judgement. For example, a critique from the head of the Australian Strategic Policy Institute notes the book is “fundamentally wrong on just about every judgement it contains”—acknowledging that the difference in perspective is one of judgement rather than data.<sup>6</sup> One judgement, White’s eagerness to write off the United States and its capacity to remain engaged with Asia, seems strikingly at odds with the United States’s ability, demonstrated repeatedly over history, to rejuvenate and innovate. Jennings effectively skewers two central planks of the White thesis—arguments for the inevitability of China’s rise and America’s fall—as lacking evidence; those arguments will therefore not be canvassed here. Notably though, Jennings’s contribution does highlight that a prevailing feature of this debate is lack of evidence: suggesting a concerted effort to build the evidence base would be desirable.

Despite its *prima facie* applicability to security questions, there are few instances in the public domain of application of real options theory to Defence questions. This is possibly because they can be conceptually challenging; it may also be due to lack of data. In practice, development of real options is a data hungry process, and may require computational techniques such as Monte Carlo simulation to make sense of the data. As an article in the *Harvard Business Review* observes, “many companies hesitate to apply options theory to initiatives such as R&D and geographic expansion, partly because these ‘real’ options are highly complex”.<sup>7</sup> A real options approach is also significantly different to other forms of analysis, in that it can be used to construct a portfolio of different options so as to create future value at lower risk—that is, options are considered interactively rather than in isolation. While a more strategically useful approach, it is again more difficult, which is perhaps why it has not been widely applied.

There is, however, one notable example of use of real options in the Defence context, a report prepared for the Australian Industry Group on naval shipbuilding.<sup>8</sup> The report drew on real options theory, amongst other things, to recommend continuous build and identified the option value in naval patrol boats that could be shared with Pacific neighbours. It also identified the large option value provided by Australian-based sustainment of naval capability, noting that the value of options changes according to circumstances. The report observed that although in most years repairs, maintenance and refits could be performed more cheaply and quickly overseas, the time when it would be most needed (wartime) coincides with the circumstances in which access to overseas ports would most likely be to be compromised.

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6 Peter Jennings, ‘How Not to Defend Australia’, *The Strategist*, Australian Strategic Policy Institute, July 2019, <[www.aspistrategist.org.au](http://www.aspistrategist.org.au)> [Accessed 12 August 2019].

7 T. Copland and P. Tufano, ‘A Real World Way to Manage Real Options’, *Harvard Business Review*, 1 March 2004.

8 ACIL Allen Consulting, *Naval Shipbuilding & Through Life Support, Economic Value to Australia*, ACIL Allen report to Australian Industry Group, December 2013, cited in Senate Economics References Committee, *Future of Australia’s Naval Shipbuilding Industry: Final Report* (Canberra: Commonwealth of Australia 2018).

## How to Defend Australia (or Not)

The options considered in *How to Defend Australia* are of a different kind. The discussion is not about creating a portfolio of options values but whether some kinds of expenditure are better than others: a traditional and not particularly accurate way of determining future spending, given its reliance on judgement over data.

White observes that current spending on new, large warships is likely a mistake: they are “very vulnerable and very expensive ... we cannot rely on them in a major conflict”.<sup>9</sup> His alternative is much greater investment in submarines. Despite their limitations (“slow ... less versatile and flexible than warships ... complex to build and very demanding to operate”)<sup>10</sup> their advantage lies in their stealth, which gives them superior capacity to support “sea denial”—that is, the ability to prevent a possible enemy from landing forces in Australia. He argues for a fleet of twenty-four or thirty-two,<sup>11</sup> based on an updated version of the design of Australia’s current Collins class submarines, to be built in Australia. At present the plan for future submarines is for an Australian-built fleet of twelve based on a French design. A French nuclear design, the Barracuda, is to be modified for conventional power and known as the Shortfin Barracuda. As White points out, this modification itself involves considerable technical challenges, creating the largest and most expensive conventionally powered submarine anywhere in the world. The project is fraught with risk. The Hugh White alternative does however involve its own project and delivery risks, given the scale of build he envisages.

It is open for any future Australian government to examine whether an updated Collins design or the Shortfin Barracuda best meets our needs. At that point, the relevant frame for analysis is not the investment already made in the French design, but future costs and benefits. Sunk costs are not relevant to the analysis—that is, no matter how many billions have at the time of the analysis been spent on the current project, the key question is future costs (and in consideration of the benefits, as discussed previously, what kinds of option values an alternative could create). Nevertheless, awareness of the sunk cost fallacy should not bias analysis in favour of rejecting the current project out of hand. Insofar as previous spending may make the future acquisition cheaper than any alternative, it can affect future costs and benefits. That is, analysis should be based not on the total cost of a project since inception but the future costs, compared to the future alternative: comparing like with like. The longer it takes analysts to get to asking the question, the more likely it will be that a current project will have lower future costs (even if much higher historical costs) than the alternative.

Before we get to the point of such analysis, however, we need to consider whether Australia needs a very large number of additional submarines, and the very real question of whether we could find crews for them should we decide on such an investment. Submarines are old

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9 White, *How to Defend Australia*, p. 171.

10 Ibid., p. 177.

11 Ibid., pp. 187–89. The fleet size calculation in multiples of four is based on an assumption only a quarter of the fleet could be on station at any one time, with others in maintenance, transit or being used for training. While multiples of four is perhaps a logical metric in a fleet of only four or eight submarines, the larger the fleet the less a multiple of four makes sense: with a larger fleet fewer would be required for training at any one time, the amount of maintenance would be determined more by the capacity of port facilities, and so on.

technology, arguably already less relevant even for the purpose that White envisages, sea denial, than options such as drones and missiles. As an article in the *The Strategist* notes,

technology is changing, and manned submarines are no longer as important ... small unmanned surface vessels (USVs) like Boeing's Liquid Robotics Wave Glider and Ocius's Bluebottle are perfectly capable of transiting to, and then keeping watch for months at a time over, submarine and surface ship routes.<sup>12</sup>

Cheap and operationally effective unmanned underwater vessels are both feasible and available. White himself notes (p. 189) missiles and anti-ship mines are a much cheaper way to achieve sea denial. White estimates "a thirty-two boat fleet would cost a total of \$64 billion to build ...[and maintenance] would cost \$5.4 billion a year" (p. 188 xx). A combination of missiles and drones (both air and underwater) would deliver a different but comparable capability at fraction of that cost.

Just as importantly, if Australia were to invest in a much larger submarine fleet, could it find the crew? White dismisses this problem without evidence or analysis. He observes that we have a population larger than the crew required, asserts "it cannot be impossible to find 480 of them willing to serve in submarines, if the pay and conditions are appealing" and concludes "if Australia cannot crew the submarines we need, it will simply be a failure of management" (p. 189). This is a cavalier and mistaken conclusion. Labour markets are unlike other markets for goods or products. It is sometimes, but by no means always, the case that labour shortages can be solved simply by better pay and conditions. There are some jobs to which job seekers are not attracted no matter what the wages. Conceivably even if submariners were paid more than the Chief of Navy (and the Chief of Navy might have some objection to this) there could still be a shortfall in crew numbers. If pay and conditions were the only variables, the current problems with finding submariners would have been solved long ago.

A useful comparison is Australia's efforts to find doctors for rural areas. Australia has experienced labour shortages with rural medical practitioners for many decades—it has proven extremely difficult for health systems to find doctors prepared to move to small rural towns (and even more difficult for remote areas). The reasons are highly complex.<sup>13</sup> The Australian Government's Health department has under successive governments of all persuasions introduced a variety of regulatory and monetary incentive measures<sup>14</sup> to try to address the problem, including special visas for overseas trained doctors prepared to work in rural Australia, bonds, payments, encouragement of medical graduates from rural backgrounds, restrictions on licences and many others. There remain problem areas, and the Health department continues to work on policy to improve the situation. In some ways the labour market for submariners is similar: requiring highly trained people with strong technical and personal skills. Such people generally can (like doctors) find alternative high paid employment elsewhere. Some doctors are not motivated by

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12 Geoff Slocombe, 'Hugh White Needs to Revisit His Submarine Numbers', *The Strategist*, Australian Strategic Policy Institute, 2 August 2019, <[aspistrategist.org.au](http://aspistrategist.org.au)> [Accessed 28 August 2019].

13 Hays, RB, Veitch, PC, Cheers, B, Crossland L. Why doctors leave rural practice. *Australian Journal of Rural Health* 1997;5:198-203

14 For a recent iteration of policy changes in this area see Department of Health, 'Stronger Rural Health Strategy: Overseas Trained Doctors in Areas of Doctor Shortage', <[www.health.gov.au](http://www.health.gov.au)> [Accessed 3 September 2018].

financial incentives—they prefer a rural to a city practice. Similarly, some people will have an inherent attraction to becoming a submariner and will undertake the intensive training required and then serve as a submariner out of their love for the job. These are people for whom the level of pay (provided it is commensurate with the training and skills involved) is not the main concern. For others, no level of pay would compensate for the dangers and difficulty of serving underwater. There are some in between for whom pay is important but is balanced against other considerations. Finally, a minority, are job seekers motivated solely by dollars. The labour market issues involved are not as simple as better pay and conditions.

It is thus by no means clear that the difficulty the Australian Navy has experienced in finding crews for submarines is simply “a failure of management”. Determining what would be required to attract more applicants to crewing either the current fleet or a larger fleet in the future will require better data, to enable analysis of not only on what factors attracted successful applicants (a cohort to which the Defence department has access and from which it can obtain data relatively easily) but also on what deters people who might otherwise be qualified from applying in the first place. Gathering data from that latter group is more difficult, but not impossible. Until that data has been assembled and analysed, it would be irresponsible for Australia to commit to a large fleet of submarines destined to sit idle for want of crews. Moreover, while in port a submarine is particularly vulnerable, losing all its stealth advantages and making that home port a more attractive target for a possible adversary—a further reason why it would be foolish to invest in a large number of additional submarines unless we were certain we had properly researched the labour market for their crews.

White does not depart as radically from current planning in relation to the army and is almost status quo in relation to the air force. He (rightly) notes the impossibility of Australia mounting high-intensity expeditionary operations against major Asian powers (p. 197), leaving the army today in a difficult position. His alternative is a large light army able to “undertake peacekeeping and stabilisation in the immediate neighbourhood ...[and] fight invading forces on our own territory” (p. 198). It is not clear what White considers the neighbourhood. If it is South-East Asia, Australia will not be welcome interventionists in an emerging future where Indonesia, Malaysia, Thailand and Vietnam are all larger and more capable than Australia. This scenario is close. Indonesia already has a larger economy, measured in terms of purchasing power parity, than Australia, and Vietnam has a vastly larger army. If the neighbourhood is the Indian Ocean, the obvious country to undertake stabilisation operations is India. If the neighbourhood is the South Pacific, then a much smaller and more flexible army is appropriate given the size of other countries in this neighbourhood (ruling out the extraordinarily remote possibility Australia would seek to undertake stabilisation in New Zealand). In the event of civil unrest in a Pacific nation it is far from obvious that Australia would or should intervene; but if it did, stabilisation operations can be undertaken more effectively by police forces, trained in civilian policing. It is also worth noting that a force capable of “peacekeeping and stabilisation” is much more likely to be seen regionally as a force prepared for aggressive war fighting and territorial encroachment.

There is a strong argument that prevention is preferable to intervention. A key means of ensuring that the neighbourhood is peaceful is through integration of military and civilian capabilities directed to the common good. A current example is how Australian Defence forces can assist with integration in the neighbourhood by sharing small, light patrol boats with a shallow draught, used interchangeably with Pacific countries for operations such as enforcement of fishing rights or prevention of smuggling.

On the second half of the equation, fighting invading forces, White concludes “the best and perhaps only way to disrupt an adversary’s landing would be air or missile strikes rather than land operations” (p. 204)—which, peacekeeping aside, suggests we need a much smaller army than at present.

In relation to the air force, White thinks current capabilities are “not badly matched to Australia’s operational priorities” (p. 225), although arguing for a large increase in purchases based on comparisons with the “number of aircraft that a major power like China could credibly bring to bear against us” (p. 226). It is a stretch: if China were to launch major hostilities in earnest against Australia, air defence would be the least of our troubles. More interestingly, White notes all aircraft are vulnerable, and identifies the possibility that any future investment in aircraft is a poor bet compared with surveillance and surface to air missiles.

A striking gap in the White analysis is cyber capability. It is considered briefly, then dismissed. Although White admits that asking whether the new domain of conflict is cyber is a “reasonable question” (p. 27) he assertively rejects it, arguing that attack is relatively easy and defence very hard—which seems precisely the reason why it will become predominant—and a cyber attack would not work strategically because societies would “keep calm and carry on” (p. 28). This seems implausible: populations are unlikely to remain calm when deprived of food (contemporary food supply chains are highly dependent on IT), water and electricity (utilities likewise are vulnerable), communications, transport, or entertainment. Notably, in the cyber realm the sorts of capabilities which help preparedness in a military context are equally helpful in dealing with other day-to-day threats such as hacking or viruses—which gives them a much better option value than purely military hardware capabilities. Conversely, countries with a strong coding workforce are extraordinarily well placed to dominate in any cyber conflict. The millions (literally) of coders employed in the major Chinese internet firms such as Baidu, Tencent, Alibaba or Xiaomi are a strategic strength. They are subject to Chinese security laws,<sup>15</sup> and in extremis would be able to redirect resources to assisting the state in a conflict (or, given the Chinese system, could be directed to do so). Australia has nothing remotely approaching that capability; we could, however, with appropriate investments, create a capability sufficient to protect against major threats for a long enough period to retaliate and cause significant damage to any potential cyber adversary: that is, create a plausible deterrent capability. If we are looking for security investments to create options at relatively low cost, then cyber capabilities fit the bill precisely.

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15 See Danielle Cave, Samantha Hoffman, Alex Joske, Fergus Ryan and Elise Thomas, Mapping China’s Tech Giants, ASPI Report No. 15/2019 (Canberra: Australian Strategic Policy Institute, 2019) <[www.aspi.org.au/report/mapping-chinas-tech-giants](http://www.aspi.org.au/report/mapping-chinas-tech-giants)> [Accessed 18 August 2019].



## The Nuclear Fallacy

The most disappointing aspect of the White thesis is the section on nuclear weapons. He argues, without evidence and without naming the countries concerned, that there are likely to be more nuclear powers in Asia in the years ahead. Which are they? China and India are not going anywhere; North Korea is more likely to be induced to leave the nuclear club than to expand; Pakistan possesses nuclear weapons only due to its rivalry with India,<sup>16</sup> and could conceivably abandon them in future should India offer concessions (noting there is an alternative scenario of escalation, a worrying prospect outside the scope of this article). Among other Asian countries, the ones most likely to seek to acquire nuclear weapons in future would be those threatened by Australia doing so. Notably, Indonesia would undoubtedly see development of an Australian nuclear capability as a direct threat and seek to develop a retaliatory capability; White does acknowledge this as a likely consequence. In other words, acquisition of nuclear weapons would significantly reduce Australian security in the region, not enhance it.

Then there is the question of cost. White suggests the cost of Australia acquiring a nuclear capability “could very easily be \$20 billion a year”. That represents the cost of a stockpile of nuclear weapons and a platform on which to deploy them—that is, direct costs. The full costs would almost certainly be more than double the direct costs. Nuclear weapons need to be transported and stored; the costs associated with security measures around transport and storage would be higher than any other weapons Australia might acquire by several multiples (how many depends on the location chosen at which to base the weapons). Once acquired, nuclear weapons need to be managed over the whole of their life up to and including decommissioning. A Brookings Institution study found the costs of decommissioning and clean up comes close to equalling the costs of acquiring the weapons in the first place (with the proviso that secrecy around costs of nuclear weapons and clean up made this of necessity a rough estimate).<sup>17</sup> Add to that figure further unknowns: possible costs in the event of an accident,<sup>18</sup> recovery costs should a nuclear weapon be stolen or mislaid, loss of opportunities with countries reluctant to trade with a nuclear power, and the costs of conducting a national debate around such an unpalatable policy. Relations with Pacific neighbours, not always friendly, would become much more difficult should Australia acquire nuclear weapons—for historical reasons, nuclear weapons are highly unpopular among the island nations of the Pacific.

Finally, should Australia acquire nuclear weapons it would also need a platform on which to deploy such weapons. White argues this would at a minimum require “a fleet of at least four ballistic missile-firing submarines (which would have to be nuclear-powered to ensure their survival)” (p. 245). This is in direct contradiction to his section in an earlier chapter which effectively demolishes the case for Australia to acquire nuclear-powered submarines: cost, technical difficulty, and the risk that were we to rely on America or France for support our capability would be hostage to their strategic priorities (p. 186).

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16 Lowell Dittmer (ed.), *South Asia's Nuclear Security Dilemma: India, Pakistan and China* (London: Routledge, 2015).

17 Stephen Schwartz, *Atomic Audit: The Costs and Consequences of U.S. Nuclear Weapons Since 1940* (Washington DC: Brookings Institution Press, 1998).

18 Shaun Gregory, *The Hidden Costs of Deterrence: Nuclear Weapons Accidents* (Washington DC: Potomac Press, 1990).



Due to their technical complexity it would be prohibitively expensive to acquire a domestic capability to undertake major maintenance or rebuilding of nuclear submarines. As can be deduced from the ACIL Allen study mentioned previously, this would imply a huge real options cost.<sup>19</sup> At the time we most need maintenance—wartime—an overseas country would have other priorities and our access to ports in distant countries likely to be barred. Nuclear powered submarines thus make neither strategic nor economic sense. White recognises this in his chapter on submarines only to forget it when it comes to the chapter on nuclear weapons.

As with conventional submarines, we would still face the challenge of finding crew for nuclear submarines. If crewing remained a problem, nuclear submarines would spend more time docked—making them an obvious target for any future adversary and putting nearby Australians at risk not only of direct damage from conventional weapons but of radioactive contamination from nuclear submarine wreckage.

## Better Ways to Improve Security

In the modern world economic links are more important guarantors of security than military hardware. It is no coincidence that the nations of Western Europe experienced war of some sort, in some location or other, on an almost continuous basis in the period from the birth of the nation-state up until economic union—and have had none since. The European Union, with free movement of goods, people, ideas and cultures, and integration of national economies, has made war in Western Europe inconceivable.

A holistic approach to national security, seeing trade, education and communications as fundamental components, delivers better results than focusing on Defence alone. Timing of the next Defence White Paper is not certain. The Defence Department's website indicates: "The development of a new Defence White Paper has commenced and will be finalised by mid 2015."—obviously not a current notification.<sup>20</sup> Whenever it happens, the next Defence White Paper should include perspectives from outside Defence—economists, international relations, social policy or trade expertise. Trade-offs and alternatives outside of traditional Defence spending can then be considered and analysed properly.

One of the most important issues to be considered in that analysis is the importance of regional linkages in ensuring security. One of Australia's closest geographical neighbours is also one of the world's largest by population and soon to become one of the largest economies: namely, Indonesia. It already has an economy twice the size of Australia's measured in purchasing power parity terms<sup>21</sup> and is in all probability, due to population and ongoing economic growth, destined to become the world's fifth largest economy within the next twenty years. It is a vibrant democracy, conducting fair and free elections

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19 ACIL Allen Consulting, *Naval Shipbuilding*.

20 Department of Defence, 'Defence's Priorities', <[www.defence.gov.au/Priorities.asp](http://www.defence.gov.au/Priorities.asp)> [Accessed 19 August 2019]. Many Australian government departments have trouble keeping their websites up to date, Defence should not attract criticism for that; the key observation to be made is that there is no firm date for the next White Paper.

21 CIA World Factbook, 2019, <[www.cia.gov/library/publications/the-world-factbook](http://www.cia.gov/library/publications/the-world-factbook)> [Accessed 19 August 2019].

regularly since the end of the Suharto regime in 1998 at both national and provincial level. Australia should have close ties with Indonesia but inexplicably has kept itself at a distance. It is one of the most popular tourist destinations for young Australians, but according to a report prepared for the Department of Foreign Affairs, a third of Australians did not know Bali is part of Indonesia<sup>22</sup>. Teaching of Bahasa Indonesia has been in decline in Australian schools and universities for many years.<sup>23</sup>

In strategic terms Indonesia is vital to Australian interests. Hugh White's essay in *Australian Foreign Affairs* makes a solid case for why Indonesia can and should be a powerful ally: "[Australian] perception of Indonesia as a potential danger has not been offset by any real sense that it could also be a major strategic asset to Australia, helping to shield us from more-distant threats".<sup>24</sup> In any future conflict with a larger power like China or India, unlikely as that is, a combined Australian and Indonesian force would be likely to prevail against any conceivable military incursion into our region. Alliances do not flow easily from military cooperation (although that is a helpful adjunct to other ties, as is the current strategic partnership agreement).<sup>25</sup> Past Defence White Paper assertions that Indonesia is already an important strategic partner do not stack up against the evidence of low levels of trade and technological cooperation; as an Indonesia based strategic researcher observes, "these indicators suggest that Australia has more important security partners than Indonesia".<sup>26</sup>

As the European experience shows, enduring cooperation arises through social, cultural and economic interaction. In the case of Indonesia, this will require a considerable expansion of people-to-people contacts outside of tourism, greater business ties including joint ventures and shared Australian/Indonesian ownership of leading corporations, and cultural understanding. We have not demonstrated to date much understanding of the potential of Indonesia as an ally. A case in point was a decision to lease the port of Darwin (one of the closest major ports to Indonesia, and therefore a logical trading hub) to Chinese interests. White asserts "a well-armed Australia would be both a more formidable adversary, and more valued ally for Indonesia" (p. 45). This seems improbable. The kinds of forces White proposes would be highly unlikely to be seen by Indonesia as anything other than hostile and aggressive.

Similar considerations apply throughout South Asia and the Pacific. Although Australia has had a tradition of cleaving to a single great power ally, first Britain and then the United States, multiple relationships will serve us better in the future. The 'great power' notion derived from European expansionism in the nineteenth century. It was specifically enunciated at the 1814-15 Congress of Vienna,<sup>27</sup> which set the scene for the next two

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22 Newspoll, *Australian attitudes towards Indonesia, Report*, May 2013

23 Michelle Kohler and Phillip Mahnken, *The Current State of Indonesian Language Education in Australian Schools*, Report prepared for the Department of Education (Carlton, Vic.: Education Services Australia Ltd, 2010).

24 Hugh White, 'The Jakarta Switch: Why Australia Needs to Pin Its Hopes (Not Fears) on a Great and Powerful Indonesia', *Australian Foreign Affairs*, no. 3 (July 2018).

25 Joint Declaration on a Comprehensive Strategic Partnership between Australia and the Republic of Indonesia, 31 August 2018, <dfat.gov.au> [Accessed 29 August 2019].

26 Evan Laksmiana, 'Is Indonesia Australia's "Most Important" Security Partner?' *The Strategist*, Australian Strategic Policy Institute, 15 October 2018, <aspistrategist.org.au> [Accessed 25 September 2019].

27 Mark Jarrett, *The Congress of Vienna and Its Legacy: War and Great Power Diplomacy after Napoleon* (London: I.B. Tauris, 2013).

centuries of great power diplomacy. Today, the notion of what constitutes a great or a small power is rather murkier; and the notion of a 'middle' power (something White, p. 297, argues Australia should endeavour to remain) is not only undefined and unrecognised internationally, it is arguably irrelevant in a world where some non-state actors, including large corporations, have as much economic and political power as countries in the middle. In a multi-polar world, Australia does not need a military capable of 'standing up' to a great power. Our interests would be better served by economic, social, and cultural integration with neighbouring countries. There is a real trade-off. Expanding traditional military power will discourage that kind of engagement. From an economic perspective, the advantages of better social and trading links are self-evident; but from a strategic perspective they also create better real options, and therefore deliver greater strategic value.

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