



NAVIGATING UNCERTAIN WATERS: THE THREE MOST SIGNIFICANT GEO-STRATEGIC CHALLENGES CONFRONTING AUSTRALIA WITHIN THE NEXT DECADE.

Mark Smith

SYNOPSIS

In contrast to the long period of stability and prosperity that followed the end of the Vietnam War, Australia now faces unprecedented strategic ambiguity. The implications are potentially grave and there are no easy solutions. Australia's strategic challenges have always been underpinned by [contradictory realities](#): it is an island, but also a continent; it is located in the East, but aligned with the West; it seeks economic partnerships with close neighbours but security guarantees from distant friends. Australia's [grand strategic interests](#) (declared or otherwise) remain the security of her territorial integrity and the maintenance of a global order 'shaped primarily by Western values and the active engagement of the world's primary powers'. This strategy has been largely successful for Australia since Federation, but Australia's strategic [environment is changing rapidly](#), generating the highest level of strategic and political uncertainty in the region since the 1950s.

This article will rank and analyse the three most significant strategic challenges, arising from Australia's geo-strategic environment, confronting Australia within the next decade. After describing Australia's strategic environment, the article will analyse these challenges and their

implications for Australia. The challenges are assessed as (1) China's re-emergence as a major power and her strategic relationship with other nations in the Indo-Pacific, including the United States; (2) the changing power relationship between Australia and Indonesia, as their relative economic and strategic positions reverse; (3) the continuing challenge presented by fragile states in the Southwest Pacific. The article concludes with a number of cross-cutting implications derived from all three challenges: they indicate that the increased dynamism of Australia's strategic environment over the next decade will require a delicate balancing of its alliance obligations and its regional engagement, along with a conscious effort to harness defence and foreign policy in a complementary rather than independent manner.

For the past twenty years Australia's strategic environment has been described by reference to a [series of concentric geographic rings](#) emanating from her sovereign territory and expanding across its immediate region to South-East Asia, the wider Asia-Pacific, and ultimately to the broader global strategic environment. Recently, the term 'Indo-Pacific' has been increasingly used to focus Australia's strategic attention on this important area and its component sub-regions. The [2013 National Security Strategy](#) describes the Indo-Pacific as 'the region spanning the Indian Ocean through to the western Pacific Ocean' and emphasises 'the growing significance of this geographic corridor' which reflects the shifting of global economic activity to the region and Australia's ongoing reliance on maritime trade. This article will assess and prioritise the risk posed to Australia's regional strategic interests by each challenge. In particular, the selection of issues has been predicated on the consequences and likelihood of each challenge crystallising over the short term. Based on this calculus, whilst the [existence of other challenges](#) such as cyber threats, terrorism and budget constraints is not denied, the principal three challenges have been selected on the basis that they represent the greatest risk to Australia's grand strategic interests over the next decade which may require the use of the armed forces to resolve.

The preeminent strategic challenge in the next decade is China's re-emergence as a great power – [described by Hugh White](#) as one of the defining challenges of the 21st century. With a population of 1.3 billion, the world's second largest economy, growing diplomatic influence and a modernising military, [China's strategic weight is inexorably increasing](#). However, what is uncertain is how China intends to use her strategic influence—to maintain the status quo or seek a revision to the regional or global balance of power. In contrast to her relatively peaceful rise (on the international stage) since 1949, China has become increasingly assertive [since 2009](#). In particular, relations between the US and China have become more fractious: with concern over a 'new Cold War' punctuated by public disagreements over US arms sales to Taiwan; recognition of the Dalai Lama; and disputes with neighbouring countries

over sovereign rights in the South China and East China Seas. These have culminated in US and Chinese military posturing.

Defence commentators suggest that the reasons China has become increasingly assertive can be broadly categorised into three [‘schools’](#). First, that China’s expanding rhetoric and military weight, consonant with her increased strategic weight, is consciously driving an expansionist agenda. [This argument](#) stresses that China’s rise – both economically and militarily – is an attempt to upset the global power balance and that China’s expansion directly threatens Australia’s interests. [The second school](#) posits that China is simply reacting to the changing strategic circumstances and taking its rightful place in the world by virtue of its growing prosperity. This argument sees China’s influence being exerted peacefully and within the constraints of the current world order – potentially with some minor modifications. [The third school](#) asserts that China’s strategic signalling is actually aimed at the domestic population to contain pressures and satisfy increasingly nationalistic factions. Whilst the three schools disagree as to the cause of the increasingly assertive posture by China – her increased strategic weight generated through economic clout, diplomatic influence and a modernising military – creates uncertainty in the balance of power in the region, particularly with the US.

It is possible to exaggerate the security challenge presented by China’s rise. Nevertheless, China’s increasing strategic weight in the region will result in a magnification of the consequences of any miscalculations. Whilst China’s rise over the next decade is unlikely to directly threaten Australia’s territorial sovereignty, it will peacefully or otherwise, change the strategic order. In particular, it will present a challenge to the regional dominance of Australia’s [‘great and powerful friend’](#), the US. China’s rise, combined with the potential of US influence diminishing, increases the likelihood of conflict (or competition) in the region. This makes the US-China relationship [‘the single most influential force in shaping the strategic environment’](#); thus, addressing the rise of China is Australia’s preeminent strategic challenge in the next decade.

This challenge has a number of implications for Australia’s foreign and defence policy-makers. Historically, [Australia’s principal ally has also been her primary trading partner](#). However, in 2007 [China replaced the US as Australia’s largest trading partner](#). The situation is not unique, with Hillary Clinton, then US Secretary of State, reflecting on the high portion of US debt ‘owned’ by China stating [‘it’s hard to act toughly with your banker’](#). In these circumstances, [Hugh White questions](#) whether Australia’s economic relationship with China should force Australia to reconsider its security alliances. On the other hand, [Ben Schreer argues that the emphasis on the ANZUS treaty](#) in the 2013 Defence White Paper indicates that this important foreign policy decision has already been made. The only remaining question is how Australia will support the US. This implies a potential dilemma facing defence planners – how to balance Australia’s military force structures and posture between coalition requirements and national interests? Australia’s desire to invest in its alliance with the US has been manifested through

[strong political support for the US' Asia-Pacific 'rebalance'](#). A potential implication of this decision is that force structure determined by alliance requirements may require the acquisition of advanced highly expeditionary capabilities, and may actually risk drawing Australia into conflicts that are contrary to our national interests.

The second strategic challenge confronting Australia is the changing power relationship with her closest neighbour, Indonesia. Australia has traditionally viewed itself as the dominant power within its immediate region; however, Indonesia's Gross Domestic Product now surpasses that of Australia and, in slightly over a decade, [Indonesia is forecast to become the world's 10th largest economy and its GDP will be twice the size of Australia's by 2030](#). Combined with its location as the 'hinge between two oceans', Indonesia's population, economic strength and military forces (all of which are expected to grow over the next decade) will [increasingly challenge the historical dynamics of her power relationship with Australia](#). Whilst Indonesia has long featured prominently in Australian foreign and defence policy, [the potential for a reversal of strategic weight will challenge Australia's existing paradigm](#).

It is projected to be nearly [fifty years before Indonesia's military capability overshadows that of Australia](#). However, given the rapid increase in Indonesia's spending, consideration should be given to this future challenge within the next decade, particularly considering the recent comments by Indonesian President, Joko Widodo, that Indonesia intends to develop armed forces superior to its neighbours. [Such comments do more than hint at Indonesia's regional ambitions](#). In addition, Indonesia's strategic weight is bolstered by a deep and sophisticated foreign policy agenda. A [founding member of the Non-Aligned Movement](#), Indonesia is a regional leader within the Association of Southeast Asian Nations (ASEAN), has close ties across the region and, along with Brazil, Russia, and China is committed to advancing its domestic and global economic agenda. Like China, Indonesia does not necessarily present a threat to Australian territorial sovereignty per se. Nevertheless, it would be perilous to underestimate the growth of Indonesia as a broader strategic challenge.

Relationships at the political level between Australia and Indonesia generally have been friendly, but could deteriorate quickly in the next decade in response to frictions or cultural misunderstandings. Currently, relations are positive, with the Indonesian president supporting economic and security relations with Australia. [Further pressure has been exerted](#) on the diplomatic relationship by such issues as decisions on both sides regarding vessels travelling to Australia from Indonesia carrying third-country refugees, Australia's 2011 decision to suspend live cattle exports to Indonesia, and Australian commentary about the political future of West Papua. To a degree, these decisions have been motivated by domestic politics rather than international pressure, but the consequence has been damaging to Australia's ambition that a ['strong partnership with Indonesia remains \[Australia's\] most important regional strategic relationship and \[that\] the partnership continues to deepen and broaden in support of significant shared interests'](#).

The implication of this challenge is that, for the first time in her history, Australia will have to design her defence and foreign policies around [a new reality that includes a great power neighbour](#). Recognition of the new paradigm is an implication in and of itself – a [recent survey of Australian citizens' perceptions](#) of Indonesia reveal a lack of nuanced understanding of Indonesia's economic and political influence in regional and global affairs. Further, to achieve the desired foreign policy goal of a strong partnership with Indonesia, a more humble and considerate diplomatic engagement with Indonesia will be needed. The initial signs of this understanding under the new Australian government are already promising, with Foreign Minister, Julie Bishop's announcement of a '[new Colombo plan](#)' to send 'thousands of young Australians into the region for study and internship'. From the perspective of defence policy it is important to recognise that whilst her military capability is growing, Indonesia has a history of military non-alignment and has been [one of the largest troop contributors to United Nations peacekeeping missions](#). Whilst a formal security alliance may be out of the question, regional engagement and joint exercises such [as Indonesia's participation in Exercise Pitch Black](#) offer good opportunities to develop rapport and understanding. Historically, Australia has viewed [Indonesia as a location 'from or through'](#) which an attack on Australia could be launched. In contrast, a militarily capable and friendly [Indonesia could enhance Australia's security](#). Of course, despite the factors analysed, there is no guarantee that relations will always remain positive, and an important consideration for Australia is maintaining readiness and capability to defend Australia and her interests.

The third strategic challenge is the fragile states in the Southwest Pacific. Inherent to this regional challenge, are specific concerns that [state fragility can breed instability that can result in 'ungoverned spaces'](#), results in a lack of resilience and capability to manage natural disasters, and creates exploitation opportunities for major powers to strategically compete for influence. Based on the risk calculus described previously, it is assessed that whilst these concerns do not generate the highest consequence if realised, over the next decade they are highly likely to occur. If they do, the Southwest Pacific may pose a risk to our territorial sovereignty by providing safe havens for terrorist groups and trans-national criminal syndicates. Alternatively, due to Australia's proximity to the region, an expectation exists that Australia would react to a humanitarian crisis in the region, as seen recently in Vanuatu (2015) and Fiji (2016). The 2016 [Defence White Paper](#) assessed that nascent governance structures, unstable political institutions and exposure to a variety of natural disasters presents a number of challenges for Australian foreign and defence policies.

The Southwest Pacific region is assessed as possessing relatively ineffective public services, a heavy reliance on subsistence agricultural economies, unsustainable resource exploitation, high unemployment and a large youth bulge – all factors which have [left it susceptible to state failure](#). [Paul Dibb observed](#) that the region is strategically important in controlling the air and sea approaches to Australia and, hence, it is reasonable to expect that Australia would intervene to prevent an

'ungoverned' space emerging. Additionally, the [region's stability is a key strategic consideration](#) in protecting national interests. Since 1987, [numerous internal crises have occurred within the region](#), implying an increased likelihood of the region's instability threatening Australian interests in the future. In addition, the Southwest Pacific is highly susceptible to natural disasters due to its location in the geologically active 'Pacific Ring of Fire'. The consequences of natural disasters in the region are exacerbated by increasing population density and government institutions which struggle to manage recovery operations. In 1999, Dibb described the region as being part of the ['arc of instability' which could be prone to state failure and hence likely to require Australian intervention](#).

Additionally, there is an opportunity for great powers to exploit the Southwest Pacific nations' low GDP and immature governance. Expressions of this exploitation have included [security expansion into the region](#) such as the Chinese satellite tracking station on Kiribati, or the competition between major powers seeking economic involvement in East Timorese and Papua New Guinean natural resource opportunities, and to harness Fiji's 'transport and trade hub in the South Pacific'. Furthermore, soft-power influence, particularly in achieving diplomatic advantage at the United Nations or other multilateral negotiations has been leveraged from the region's nations through the provision of ['aid with no strings attached'](#) by major powers.

These factors combine to increase the risk posed in failing to address destabilised or failing states in the Southwest Pacific. In 2006, [Prime Minister John Howard stated](#)

[Australia] faces on-going and in my opinion increasing instances of destabilised and failing states in our own region. I believe in the next 10 to 20 years Australia will face a number of situations the equivalent of or potentially more challenging than the Solomon Islands and East Timor.

The implications for defence and foreign policy are two-fold: on the one hand, Australia requires capability to respond to security or humanitarian contingencies; on the other hand, Australia requires a proactive military and diplomatic engagement plan to reduce the need for the intervention and mitigate great power influence. Australia requires both a military and civilian response capability for security, stability and assistance. This implication appears to have been recognised by Australia's recent acquisition of two Landing Helicopter Dock vessels. This acquisition improves Australia's expeditionary capabilities and [enhances the response options available for future stabilisation and humanitarian contingencies](#) in the region. Security assistance can be complemented by immediate military assistance, foreign aid and civilian assistance, coordinated through the Department of Foreign Affairs and Trade (DFAT), which has been used to augment local disaster response committees following a natural disaster. Australia has recognised this implication, creating deployable civilian capability through the creation of the Australian Federal Police International Deployment Group and augmenting

DFAT's existing engagement networks with deployable members of the Australian Civilian Corps to assist in disaster recovery operations.

The second dimension, engagement within the region, is necessary because Australia's influence has been challenged by the arrival of other actors. In any such engagement, Australia should adopt a development philosophy seeking '[culturally appropriate deep intervention](#)' in contrast to its current security paradigm. For example, Australia could learn from [China's recent partnering with New Zealand](#) to coordinate development activities in the Cook Islands. This contrasts to [Australia's unsophisticated response](#) to Fiji's 2006 coup, which arguably pushed Fiji to 'look north' to China.

Across all three of the strategic challenges, two thematic implications emerge. The first is the increasingly delicate balance between Australia's economic and security relationship with the US and with the Indo-Pacific. The Indo-Pacific is becoming more central to our strategic calculations as strategic weight shifts to the region. In this environment, the management of the perception of Australian actions by both sides is critical to addressing Australia's three strategic challenges. This implication is far-reaching for defence and foreign policy, in that Australia can no longer rely on defence policy with the US to substitute for meaningful foreign policy in the region. Military force structure and interoperability for alliance operations imperatives will need to be balanced with an appropriate regional defence engagement and diplomatic footprint.

The second implication is the requirement to improve the interdependence and symbiosis between not only defence and foreign policy, but also trade and education. The three challenges do not exist in a vacuum, and Australia, seeking greater return in a tight fiscal environment, requires the creative use of 'smart power' to provide nimble and adaptive strategic response options to government, ensuring that all the levers of national power are synchronised; military engagement, alliance maintenance, diplomacy, official development assistance and trade must work together to secure Australia's strategic interests. These implications are not response options themselves, but are useful in framing future requirements. For example, the increased requirement to coordinate diplomacy suggests a need to restore DFAT to organisational health and reconsider the priorities for its Official Development Assistance program. These actions would re-establish DFAT's primacy in diplomatic engagement, rather than the current practice of using military engagement within the region, and consequently help manage the perception of Australia internationally. The implications frame possible response options for government, as, over the next decade, Australia will have to make hard choices in an uncertain environment.

This article has analysed the three most significant strategic challenges that Australia will face within the next decade, and has explored a number of specific and thematic implications facing future defence and foreign policy. It argues that China's re-emergence as a major power and her strategic relationship with other nations in the Indo-Pacific, including the US, should be Australia's principal concern. The

changing power differential between Australia and Indonesia, as their relative economic and strategic positions reverse, and the continuing challenge presented by developing and fragile states in the Southwest Pacific take second and third place in this schema of threat potential. The strategic importance of these challenges has been determined by their potential impact on Australia's interests, principally as a function of proximity, likelihood and consequence in the decade ahead. These challenges, and others facing Australia, are known and therefore somewhat predictable. However, a nuanced observer must consider whether we are looking at the circumstances through the wrong lens – either culturally or racially – and care must be taken to avoid a presumption that the next decade will follow the patterns of the past. The eminent strategist [Colin Gray reinforces this caution](#), reprising Clausewitz's admonition that conflict, by definition is irrational and primordial, and that, more often than not, conflict will be ambiguous and uncertain.

Notwithstanding the difficulty of predicting challenges, the article considered specific and broad implications for Australian defence and foreign policy in framing response options for the Australia government to reconcile the challenges. Historically, Australia's unique geography and her economic and security arrangements provided Australia with security *from* Asia, but the new strategic circumstances imply that a more integrated and coherent strategy is required to provide security *with* Asia. At the macro level, Australia faces choices which require a delicate balancing of her alliance obligations with her regional engagement and a conscious effort to harness defence and foreign policy in a complementary rather than independent manner, achieving strategic interests through a creative mix of soft and hard power.

The views expressed here are the author's own and do not reflect those of the Australian Army, the Australian Defence Force, the Queensland Police Service or the Australian Government

Mark Smith is an Army Reserve Infantry officer with operational deployments to Timor Leste, Afghanistan and Vanuatu. In his civilian career, he is employed by the Queensland Police Service and is also a member of the Department of Foreign Affairs and Trade's Australian Civilian Corps.

He is currently completing studies in Terrorism and Security Studies with Charles Sturt University.