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The strategic outlook: implications for defence policy, force structure and force posture

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Mr Shoebridge provides insight into strategic thinking that is likely to inform Australia's 2013 Defence White Paper.

Key words: defence policy; force structure; force posture; Australia.

The previous papers in this Dialogue have examined the fundamental changes taking place in our strategic environment. I appreciate this opportunity to address what those changes might mean for Australia's defence policy.

Defence planning, by its nature, is complex. Defence capabilities take a lot of money and time to develop, and in making what we hope are the right investments, we have to carefully weigh our strategic circumstances against available resources. And as our strategic environment changes in fundamental ways, our defence policy framework must change.

Australia is fortunate in that a direct armed attack on Australia is unlikely, although were it to occur the consequences would be so serious that the possibility must be given priority in our defence planning. That low likelihood also introduces complexity to our task, as we must plan for uncertainty and develop a force that is flexible and adaptable to meet a range of tasks in our region, while also being able to support our global strategic interests when required.

We often measure our capability against our ability to generate the high-end warfighting options we can provide government as a hedge against the possibility of conflict. But there are also intangible elements of strategic weight implicit in our maintenance of a highly capable and credible Australian Defence Force (ADF) and active defence engagement that influence our planning in very direct ways – helping mitigate the potential that we would ever need to use the ADF in conflict in our near region. That value should not be underestimated, and is a factor in what we do.

The Minister for Defence has announced that the Government will deliver its next Defence White Paper by 30 June. This White Paper was brought forward by a year because some key domestic and international parameters that shape our defence policy have changed. I will step through some of these in my presentation.

Strategic Context

Shift in strategic weight to Asia

Of all the developments occurring in our strategic environment, three have the most profound implications for our defence policy. Firstly, and most importantly, the shift in strategic weight to Asia has accelerated since the Government released the 2009 Defence White Paper (Department of Defence 2009). In 2050, according to the latest projections from PricewaterhouseCoopers, China will be the world's largest economy in terms of purchasing power parity. India will remain third, with an economy around eight times larger than today. Also among the top 20 will be Japan in fifth and Indonesia in eighth.

While all such projections are merely estimates, these projections represent an unmistakeable trend. Economic weight is shifting to the Indo-Pacific, a region as the National Security Strategy states that: 'spans the Indian Ocean to the Western Pacific' (Australian Government 2013), in a strategic arc connecting the Indian and Pacific Oceans through South East Asia. This strong growth across the region is enabling regional states to modernise and increase the capabilities of their military forces. Countries around the region are acquiring sophisticated systems such as 4th- and 5th-generation combat aircraft, submarines, advanced missiles, and networked forces. In fact, some are fielding technologies that are the first of their type anywhere in the world – such as the anti-ship ballistic missile.

Over the decades to come, we anticipate that regional military forces, to varying degrees, will experience an increase in combat capability from more powerful technology, improved situational awareness, and better command and control, to improved integration of defence networks.

Like many things in life, this contains both opportunities and risks for us that go to the heart of our defence policy. It represents significant new opportunities for the ADF to deepen partnerships with regional defence forces. More capable Asian forces will allow greater scope for cooperative activities and, if required, coalition operations with us and with each other. It has the potential to add to the natural advantages we enjoy through our strategic geography.

But this trend also raises the levels of capability required by the ADF to maintain the edge that has historically underpinned the defence of a continent with a comparatively small population. And as we will

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increasingly see over coming decades, some of the traditional advantages of our strategic geography will be challenged by longer-range capabilities and those such as cyber, for which geography is irrelevant.

Over the next three decades, Australia's edge will be challenged as our northern neighbours continue to translate their economic weight into strategic weight. That growth is overwhelmingly positive and is building economic interdependencies, but it is occurring in an environment with longstanding historic tensions and immature mechanisms for collective security. This raises strategic risk – and that is why the Australian Government consistently calls for greater transparency in the defence planning of regional nations.

Defence impacts of the global financial crisis

The second development that is driving our re-evaluation of defence policy is the continued impact of the global financial crisis (GFC). While all countries have felt the effects of the GFC, their impact appears to be more sustained in the United States and Europe, while economies in North, South and South-East Asia have recovered relatively quickly.

This contrast clearly has an impact in the defence policy space. United States and European economies, coincidentally also our traditional security partners, have substantially cut defence spending to reduce sovereign debt.

- On 26 January this year, United States Defense Secretary Leon Panetta announced the United States would reduce defence spending by US$487 billion over ten years, a cut of 1.6 per cent in real terms. This would include cutting the number of Army and Marine Corps personnel by around 100,000 by 2017. Further cuts are looming very shortly if the United States Congress cannot agree on a budget.
- The United Kingdom is cutting its defence budget by 8 per cent, which has required the removal from service of entire capabilities – such as their aircraft carriers.
- NATO's European members are expected to reduce their defence spending by 3 per cent between 2011 and 2015.

These defence spending cuts are leading to reduced acquisition programmes and downsizing of in-service capabilities.

This development poses risks for capability development programmes – from the resources deployed to develop new innovation right through to the unit price of the final product. In some circumstances, budget cuts among some nations may also lead to less willingness to contribute to coalition operations.

By contrast, Asian defence budgets have emerged relatively well from the GFC. Between 2010 and 2011, military spending in Asia and Oceania increased by 2.3 per cent. Over the same period, China's defence budget grew by an estimated 13 per cent. Given the economic growth in the region, these levels of spending could be considered entirely normal – perhaps even lower than expected. But the picture is not uniform. Each country is working from a different base level and with different strategic, economic and political drivers.

Australia has not escaped the impact of the GFC. The Commonwealth has lost some $150 billion in tax receipts in the five years since the GFC. Defence has made a contribution to the Government's fiscal strategy to maintain a strong Australian economy. But to keep this in perspective, the level of Australia's defence funding over the forward estimates is expected to maintain Australia's position in the top 15 nations for defence spending.

Similarly, we should not forget that United States budget cuts are relative. In 2010, the United States defence budget was larger than the combined defence budgets of the next 17 largest defence spenders. By objective measures, the United States will continue to be the world's largest military power out to 2030.

United States 'pivot' to Asia

And while the changes we are seeing in our strategic environment bring their share of risks, there are also opportunities. The growing importance of the region is reflected in the United States announcement that it will rebalance towards the region. This provides opportunities to enhance combined training, particularly amphibious exercises, and improve interoperability within the region – both bilaterally and multilaterally.

Our alliance with the United States is a pillar of our national security, and we appreciate the United States commitment and contribution to security and stability. The stabilising presence of United States power has under-written regional growth and prosperity. It is an international public good that can be granted.

This rebalance takes account of the transition and drawing-down of international forces from Afghanistan. This provides contributing countries an opportunity to take stock of their strategic priorities and reposition resources to suit their strategic objectives. This includes Australia. Our transition in Afghanistan is following the transition of the ADF out of Timor-Leste and the Solomon Islands. We will ensure that the experience hard-won on these operations is not lost. The lessons learnt will contribute to the ADF's readiness for future operations and will be appropriately fed into capability development processes.

But as our operational tempo declines, we are going to carry out a transition of our own – to a posture aimed at understanding and shaping Australia's strategic environment. This allows us to consider where we want to focus our resources into the future. To think about how we can manage the changes underway in our region, not just in a reactive sense, but in a proactive way to shape the region in a way that builds security and stability.

Responding to Challenges

Force structure

A critical element of our credibility as a middle power and engagement partner is the ADF. As recognised in the National Security Strategy (Australian Government 2013) and the Asian Century White Paper (Australian Government 2012), a capable and credible ADF is an essential foundation of our national security and contributes to sustainable security in our region.

The Government remains committed to delivering the core capabilities outlined in the 2009 Defence White Paper

(Department of Defence 2009) and some that have been determined since 2009, including: future submarines; air-warfare destroyers; joint strike fighters; landing-helicopter-dock amphibious ships; and the EA-18G Growler electronic attack capability. And as our Minister has said, the forthcoming Defence White Paper will reinforce the fundamentals of our force structure planning around the defence of Australia, and security and stability in the immediate region.

This is appropriate, noting that the capabilities we will acquire will enable us to meet the most likely contingencies for using the ADF over the next decade – in stabilisation; and in humanitarian assistance and disaster relief – while providing a strong platform to support our broader regional interests in the event of a challenge to regional stability.

Force posture

One thing is certain. In managing the changes ahead, we will need to use our force structure efficiently and intelligently. Critical to this is ADF posture. One element of our posture – where we position our bases and assets in Australia – was reviewed through the ADF Posture Review in 2012 (Hawke and Smith 2012). Defence is currently implementing a number of the recommendations of the Review, which include:

- enhancing ADF presence in, and familiarity with, the North-West;
- updating plans for defending the North and North-West;
- supporting border protection operations; and
- enhancing engagement with state and territory governments and relevant private-sector stakeholders.

The Government's consideration of the full ADF Posture Review recommendations will be included in the Defence White Paper and I would not want to pre-empt Government's decisions on this. But importantly, we will also need to adapt to the changing regional dynamics through a refocused and sharpened regional force posture – as I said earlier, seeking our security more closely in and through our immediate neighbourhood.

There are some challenges in this. For example, we recognise that as our regional partners grow and modernise their capabilities, they will have greater choice for cooperation. Australia's contribution to the region may be balanced in the future by the support and assistance provided by other regional powers.

But Australia has longstanding and effective defence relationships across our region. These have evolved over time and broadened to encompass areas of mutual interest. Each is different in its own right. Strong regional engagement is a significant strategic asset and Australia is well placed to take advantage of this.

In our immediate neighbourhood, for example, Australia plays a central role in the Pacific Islands region as a continuing source of economic, diplomatic and, where necessary, military support. Shared geography, history and deep people-to-people links have created close relationships between Australia and South Pacific nations.

But to maximise our advantages in international engagement over the challenging decades to come, we will need to change some of the ways we think about these partnerships. What we envisage are a fundamentally deeper set of relationships that may drive our planning more than in the past. These partnerships will not be a one-size-fits-all approach, and they will progress at a mutually-comfortable pace.

Greater defence engagement with the region will be a key feature of our operational activity in the coming years, with a focus on:

- stabilisation;
- humanitarian assistance and disaster relief;
- security force assistance, encompassing bilateral and multi-lateral training and advice;
- peacekeeping operations in the region and particularly in the South Pacific; and
- development of regional cooperation on areas of mutual interest.

Defence has already started the process. For instance, in 2012, the Australian and Indonesian defence forces had the highest levels of training, exercises and strategic exchanges in 15 years.

We will look to invest in these relationships to build shared capability across our and regional partners' defence organisations over time. This means thinking beyond our more traditional training, exercises and dialogues, to opportunities across the institutions of our defence organisation, including our defence industry. We will need to think through some of the implications in how we might give this effect, including in our export control policy settings.

This forum is timely in considering how we might best progress this agenda together with our regional partners.

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