

Does Australia need a 'Plan B' for its defence policy?



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Since Australia's latest Defence white paper was published in February 2016, the pace of strategic change in our region has forced the government to order a review of defence policy and the white paper's proposed force structure which was driven more by the longer-term needs of defence industry than those of national defence. The region's big strategic challenges are likely to be tested much earlier than envisaged by the white paper and should be the focus of a new 'Plan B'. Herein, Mr Jennings identifies nine short-term measures that the government should now consider.

Key words: Australia; defence policy; force structure; strategic change; Indo-Pacific region; South China Sea; Pacific Ocean.

In October, Defence Minister Linda Reynolds told a maritime conference in Sydney that Australia's 2016 Defence white paper (Defence 2016) failed to anticipate the pace of subsequent strategic change and that there is now a need to re-think the strategic fundamentals underpinning defence planning. As a consequence, there is a review underway of defence readiness, including an update of the force structure plan.

Overall, I am delighted to hear that this new work is underway. I was closely involved in developing the 2016 white paper. I led the external expert panel that the government appointed to annoy Defence officials as they went through the process. But there is no point getting sentimental about old policy statements, and, in retrospect, I think Linda Reynolds is spot-on in saying the 2016 white paper underestimated the pace of strategic change.

Here is a curious thing. Work began on the 2016 white paper in early 2014 and it was released by the government in February 2016. That is almost exactly the time it took China to annex about 80 per cent of the South China Sea. They did that by building three substantial air bases on artificially enlarged reefs. Since then, China has added significant ground-to-air missile defences, reinforced hangars and weapons storage areas. At the time, Beijing said it was creating structures to protect marine creatures – although the construction of the islands was probably one of the worst acts of environmental vandalism the region has ever seen.

Strategic Significance of the South China Sea

I think we did not sufficiently appreciate the significance of what was happening. The Obama administration certainly misread what was going on. They took Xi Jinping at his word in September 2015 when he said in Washington DC that China would not militarise the southern part of the South China Sea. And

Washington ultimately decided that a 'bunch of rocks' (as it was called by Obama's national security adviser) was not worth damaging the wider United States-China relationship.

I think we, and pretty much everyone else, fundamentally misread the strategic significance of what happened, because, essentially, control of the South China Sea equals control of South East Asia.

The Japanese realised that point in the 1930s. Japan's war planners appreciated that they needed to neutralise any threat from the British Royal Navy moving north towards Japan through the South China Sea. Japan needed Southeast Asia to be a supplier of raw materials and not to present a threat to their ambitions.

Chinese strategic objectives are similar. They want to control sea and air movements through the region; and they want a weak Southeast Asia that defers to their interests. Through control of the South China Sea, China has achieved the first objective and is well on the way to securing the second.

Australia's 2016 Defence White Paper and its Legacy

If you read the 2016 Defence white paper, you will see that the document sets out a plan that says the defence of Australia starts in what they call 'maritime Southeast Asia' (Defence 2016:17-18). That is what the bulk of the \$195 billion ten-year investment plan is focused on. And yet, maritime Southeast Asia, if it is anywhere, is the South China Sea.

At the time the white paper was released in February 2016, I wondered if the government of the day really understood what they were signing up to. We were, at that stage, on to our third Defence Minister and second Prime Minister since the 2013 election. The defence focus of the Abbott and Turnbull governments was the defence equipment investment programme. And that had gone through a remarkable change – from an early intent to buy off-the-shelf from overseas; to developing and building onshore, a consequence of which was that it would take a very long time to deliver ships, sub-

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marines and Army vehicles. The focus was on the needs of the local defence industry rather than strategic developments as such.

Melanesia and the Central Pacific

I think that what we know of the current Defence Minister's thinking suggests that the unpleasant reality of strategic change has landed with a thud in Canberra. The government has realised for about 12 months or so that it faces some very testing challenges, driven by an assertive China, an America that is demanding its allies do more in their own defence and a region that is unsure about America and is hedging its bets with China.

The idea of a 'Pacific Step-Up' started with Malcolm Turnbull and got turbo-charged by Scott Morrison. Again, we collectively underestimated how fast Beijing was building connections with the Pacific island states, really with a view to locking out Australian and allied interests.

Why is China so interested in the small Pacific islands? Well, yes there are resources, fish stocks and possible undersea mining. But Beijing's real interest is strategic. Again, look at Japan's strategy at the start of the Pacific War. If you control the islands of Melanesia and the central Pacific, you make it very much harder for the United States to project military power westwards.

Reports of Chinese interest in establishing a naval base in Vanuatu were, I can tell you, 100 per cent accurate. It was like a bomb had gone off in Canberra. Should such a facility ever eventuate, it would immensely complicate our defence task. The Pacific Step-Up is a way to try to rebuild some lost Australian influence in the region, influence we mistakenly thought we still had.

And now we have what sounds like some accelerated work being done on strategy, readiness and force structure in Defence.

What does a Defence 'Plan B' look like for Australia?

The first point to make is that a Plan B would look a lot like Plan A. No one would willingly walk away from the United States alliance if they did a cost-benefit analysis of it. Likewise, the Australian Defence Force (ADF) we have is the one we will have for at least a decade before equipment modernisation in the Navy and Army starts in earnest.

But here, I will focus on the things that could or should change. I want to touch briefly on a handful of issues which will undoubtedly be front-of-mind to the people working on these policy statements.

1. How to talk about China.

The era of China's peaceful rise is permanently over. China is emerging as an authoritarian, Leninist superpower, intent on supplanting the United States in the Indo-Pacific. This presents an immense challenge for Australia, primarily because of our dependence on trade, but also because we have 1.2 million Australians with Chinese ancestry. Perhaps around 500,000 have

arrived since the 1989 Tiananmen massacre – with, in some cases, an ideological disposition to support Beijing.

Both government and opposition are so spooked about China they struggle to know what to say about dealing with this assertive Party State. Preserving some strategic flexibility in this world must be our ultimate aim.

The United States has a better grasp of the problems presented by China, particularly around cyber security and protecting intellectual property.

Australia has done some good things, reforming political donations to exclude foreign donations, passing strong and modernised anti-interference laws and excluding Beijing from bidding into the 5G network. But this has come at the cost of Chinese Communist Party annoyance and the threat of economic punishment. Expect a bumpy ride.

2. Strengthening the United States alliance and avoiding Trump's worst instincts.

In this world, the United States is the essential superpower. It is critical to the maintenance of stability in this part of the world. So, it is a strategically-vital Australian objective to keep the United States engaged and the alliance strong.

Trump complicates things because he is impulsive and not in any way personally committed to strong alliances. I have recently been in Canada and Germany talking with people about the strategic implications of a more assertive China. But in both countries the conversation quickly turns to the United States and the reliability, or otherwise, of America's commitment to alliance relationships. It would be hard to overstate the extent of angst and unhappiness with President Trump. This is anything but business-as-usual in the western alliance.

And it is not just about Trump. Obama's approach to a more selective American involvement in global security has a lot of similarity with Trump's approach. So, a key question is whether Trump is a symptom or a cause of American isolationism.

We have seen this before. There is more than an echo of the American isolationism of the 1930s and early 1940s. The imminent defeat of Britain in the first half of 1940 was not enough to bring the United States into the Second World War. Only Pearl Harbour achieved that switch in American policy.

So, I think we all should keep a close watch on the direction of United States policy and what that means for the future of ADF thinking. It is fair to say that Plan B, as expressed in the 2016 Defence white paper, was for even more alliance co-operation.

I think the alliance will survive – both countries value it. But there is no doubt that America is becoming a different ally – more demanding, more selective, and less motivated by historical links. We will have to do more to sustain this relationship into the future; and the test will be what practical strengths Australia brings to the table.

But back to Donald Trump. He does seem to like Australia and, so far, we have not been treated to the negative comments he directs to the NATO allies. And he is right that the allies, including Australia, have not really been pulling our weight on defence and security. We need to do more in terms of defence spending and providing regional leadership, in terms of our own interests to sustain the United States alliance.

A good example of this is Scott Morrison's decision to join with the United States in an active space programme to return humans to the Moon by 2024, and to position for a human flight to Mars in the 2030s. Australia has committed significant dollars into this joint programme between NASA² and our new Australian Space Agency. And we have some real assets to bring to the table in the form of remote mining and autonomous systems, which will be a critical part of a permanently-operating station on the Moon's surface.

The inspirational value of this shared effort is undeniable too. This is exactly the kind of co-operation that will keep the alliance fresh and valued in Washington.

3. How much more than 2 per cent is needed in the defence budget?

It is time to stop high-fiving ourselves about Australia's defence budget being close to 2 per cent of gross national product (GNP). Two per cent buys the current plan, but it does not give room for more autonomous systems, or extended range weapons like cruise missiles, or artificial intelligence or hypersonics. In other words, our future force is starting to look a bit dated based on the new weapons and force multipliers reaching service in the People's Liberation Army and elsewhere.

How much should we spend? It should be remembered that, for much of the Cold War, Australia was spending around 3 per cent of GNP on defence. It was only after the fall of the Berlin Wall that we saw the defence budget start to fall away. The lowest point was in 2013 when the budget was less than 1.8 per cent of GNP – the previous time the defence budget was that low it was 1938.

I have suggested that 3 per cent of GNP would bring an extra \$20 billion to the current approximately \$40 billion budget. If we aimed to get to that level in four years in \$5 billion increments, that would see an additional \$50 billion to be spent on defence extra to current plans out to 2023. It is a lot of money. And neither the government nor the opposition really have an appetite for that type of spending right now. But even that increase would not reinvent the ADF. It would allow some new capability decisions to be made and add to the enhancements of others. But I can see no option other than we do something like this.

4. Reaching out to likeminded partners – the alliance of decency.

Regardless of how much we spend on defence, we should reach out to other potential allies who share our democratic values and strategic interests – countries such as Japan, India, the United Kingdom, France, Germany and Canada. Along with Australia, these are the major middle powers. A lot can be done together if these countries are minded to work alongside each other. In a world where we are uncertain about the United States, the major middle powers will either have to hang together or hang separately. Certainly with Japan, we already are making big advances in defence co-operation.

5. Adding more hitting power to the ADF in the short term.

There are gains we could make in the short term. I am worried about our weakness in long-range strike capability. This is where China is putting its money. In this context, I would have five immediate priorities for new defence investment if government were to lift the Defence budget:

- acquire cruise missiles for use on a range of sea and air platforms – this would add significantly to our ability to project military force at some distance from our shores;
- join with the United States in a joint development project for the next long-range bomber, a replacement for the F111 – this would be like our joint research and development effort on the F-35 Joint Strike Fighter, where our investment has been returned in industry participation in the aircraft's production;
- ensure that there is adequate investment in updating the *Collins*-class submarine, which will be our most effective deterrent for at least a decade to come;
- invest a significant effort in developing our own array of autonomous systems for land, sea and air use; and
- look again at modes of reserve service.

With respect to autonomous systems, we need not, indeed should not, just focus on highly expensive systems. We need to be looking at clever uses of lower-cost autonomous systems that can be deployed quickly and would multiply the value of manned systems. Australia needs its own version of the United States DARPA, a research and development agency with a specific remit to push the boundaries of establishment thinking, and look for clever lateral solutions. This type of work really cannot be done through current defence procurement systems. A standalone DARPA, able to quickly experiment with promising technology ideas, will certainly generate a few failures, but also potentially some ground breaking successes.

With respect to Defence Reserves, the last major rethink of the Reserves happened in the early 1990s and led to the creation of a Ready Reserve. So much

²The United States National Aeronautic and Space Administration.

has changed since then in terms of the nature of employment, the skills that our military needs, and the expectations of millennials. All of that leads me to worry that we are not getting the best from our reserves and may be failing to attract the best range of skills, including information technology skills, into Defence service.

6. What to do about the submarines?

The issue of Australia's submarines would be worth a lecture in its own right. In short, though, we cannot run the current submarine procurement programme, SEA 1000³, as a black programme (*i.e.* in secret). We also need to consider nuclear propulsion for the future submarines, whether or not Australia has a civilian nuclear power industry. The French Shortfin Barracuda submarine that we have agreed to build, was designed as a nuclear-powered submarine. It will take additional time to re-design it as a conventionally-powered one. Instead, we could speed up the programme if we agreed to operate it as a nuclear-powered boat and to build it at Cherbourg, France.

That said, the reality is that the *Collins*-class will be Australia's submarine capability for a decade or more, so a major upgrade is essential to preserve and strengthen its capability.

7. What comes after the Pacific Step-Up?

The Pacific Step-Up programme has barely begun. Further step-up in the Pacific is essential, although it will be difficult to achieve in the absence of an increase in the budget for foreign aid in the Pacific.

Also, a larger and more permanent ADF presence in the region is essential. Indeed, for maximum credibility in the nearer region, this should take the form of strategically-sited ADF bases in the Pacific, notwithstanding that many foreign policy experts may find the idea uncomfortable given its possible neo-colonialist overtones.

8. What to do about Southeast Asia?

For me, one of the biggest concerns now is how to manage our relationships with the countries of Southeast Asia. Many of our neighbours to our north essentially are accepting that they have no viable option other than to accept Chinese hegemony. This is understandable given recent developments in the South China Sea and the news that Chinese plans are advanced for a naval base in Cambodia⁴ – all focused on sea control east of the Straits of Malacca.

Consequently, Australia needs to engage more heavily in Southeast Asia as well as the Pacific. Indeed, you would be surprised at the thinness of our current diplomatic presence in the region.

9. Is it time for nuclear weapons?

Hugh White flirts with the idea of Australia acquiring its own nuclear deterrent in his recent book *How to Defend Australia* (White 2019). A nuclear deterrent, of course, is the ultimate guarantor in a world where, if you are like Hugh, you think that you cannot rely on anyone other than yourself to defend your country.

Ultimately, I think the costs, political and otherwise, of going down the nuclear path are such that no Australian government would consider it in anything but the direst circumstances. It remains much cheaper and simpler to ask the United States to provide our nuclear deterrent.

Conclusion

Circumstances are increasingly dire in the world I have been describing. All told, we do need fresh thinking about defence policy. Our strategic approach cannot be, as it is at present, a subset of industry policy, although I have no problems with positioning to have a sustainable defence industry in Australia. But it is pointless pretending that the only goal worth investing in is the shape of the ADF in the 2040s. The big strategic challenges in terms of the peace and stability of the Asia-Pacific region are likely to be tested much earlier than that. This more immediate term should be the focus of Plan B – namely, what is the likelihood of conflict in the near term; and how do we protect our strategic interests in this more dangerous world? These are the questions a new defence policy must address.

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³The *Attack*-class submarine is a future class of submarines for the Royal Australian Navy based on the Shortfin Barracuda proposal by French shipbuilder Naval Group to replace the *Collins*-class submarines. The class will enter service in the early 2030s with construction extending into the late 2040s to 2050.

⁴The *Wall Street Journal* reported in July that China and Cambodia have signed a secret pact granting China basing rights for its warships and associated logistics services at Cambodia's Ream naval base on the Gulf of Thailand