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Perspective Two

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Admiral Singh outlined very well the new security challenges that are emerging in our region as a result of shifts in the balance of power and the overlay of transnational challenges such as terrorism, proliferation of weapons of mass destruction, piracy and natural disasters. I agree that our region is entering a period of profound change. I am a little more pessimistic than Hamish McDonald, however, about the possible consequences of that change for Australia's future security and prosperity. Maintaining Australia's national security in the decades ahead will require deft diplomacy, adequate spending on defence and some difficult domestic policy decisions.

As a nation, Australia has benefited greatly from a liberal international order in which our economic and strategic interests have generally been aligned. For the first time in over half a century, however, we are now faced with a major discontinuity in that traditional alignment as a result of China's economic rise and its burgeoning military and political power.

The emergence of China as a great power, along with India, is making for a more congested and contested region. Over the last 18 months, we have seen China flexing its growing military and diplomatic muscle in the western Pacific. A worrying series of maritime incidents involving Chinese vessels and aircraft and United States, Japanese and Vietnamese ships, is creating a risk of miscalculation and prompting regional countries to beef up their own military capabilities. Precision-guided munitions are proliferating.

As Admiral Singh noted, issues such as energy, food and water insecurity have the potential to exacerbate

existing territorial disputes and differences over freedom of navigation, with destabilising consequences. As analysts, we are only just coming to terms with these dynamics.

These challenges come at a difficult time for the United States and its Western allies. I am an optimist about the strength and resilience of Western institutions and the values on which they rest. But it is hard to deny that the West is going through challenging times. You only have to look at what is happening in the European economies and the American economy, which are faltering badly; and Japan is struggling to deal with 20 years of economic stagnation and now the tragic tsunami and its aftermath.

Across the developed world, domestic political systems are fractured and fractious. Divided government seems to be the norm, whether in Washington, London or Canberra. Here in Australia, the minority Gillard government appears focused mostly on day-to-day political survival rather than tackling the long-term challenges that we face as a country.

As United States defence cuts loom and China throws its weight around, there is anxiety in many Asian capitals about where the 'public goods' that have underpinned the regional order for decades are going to come from – in particular, whether America will continue to be at the forefront in everything from responding to natural disasters to keeping the sea lanes open and free from threats such as piracy.

If the changes which the Admiral outlined come about, Australia is going to find itself much closer to the epicentre of world power because the centre of

strategic weight in the world is moving in our direction. This will bring economic benefits, but will also have downsides. Traditionally, regional security threats tended to centre on north-east Asia, the Korean peninsula, and Taiwan. But this is changing. As Admiral Singh outlined, the Indian Ocean is becoming much more significant and the South China Sea is a much more hotly contested space than it once was. Regional nations are acquiring missiles and conventional submarines and other advanced technologies that are eroding Australia's traditional defence capability edge and making our neighbourhood much more strategically uncertain than it has been for several decades.

So what should we do about all this?

The key is strong political and policy leadership so that Australia takes the steps it needs to take if we are to build on our many existing strengths. We are a significant producer and exporter of minerals, energy and food. In a world likely to face increasing competition for these commodities, Australia is well positioned to leverage its natural endowments. But we need to think much more strategically and creatively about how we use this leverage.

Historically, Australia has been good at assembling coalitions of like-minded countries to pursue particular issues. We should be at the forefront of efforts to improve the working of global markets for food, energy and minerals.

It is fashionable, at least among some commentators, to conclude that shifts in the regional balance of power and our growing economic ties with China are making our security alliance with the United States less important – or even something of a liability. There is no doubt the alliance is going to change quite profoundly because of the region's shifting strategic landscape. But, if anything, it will become even more important than it is now, including as a source of confidence that we can maintain our national freedom of action despite growing economic ties with China.

This will not come without cost. United States expectations of Australia and America's other Asian allies are likely to grow, including as a result of looming cuts in American defence spending. Other key United States allies, such as Britain, are also making significant cuts to defence, with the burden falling disproportionately on expeditionary capabilities. By contrast, Australia remains one of relatively few developed countries whose defence budget is still growing. Previously, when America put together a coalition, it would look to Britain and Europe for primary support and to us for more limited assistance, perhaps a frigate and an infantry battalion. As the gap narrows between Australia's military and that of other United States allies, however, expectations of Australia as an alliance partner are going to rise quite sharply. In this vein, Washington is likely to look to Australia to host an increased United States military

presence as it looks to diversify its outdated Cold War basing arrangements and as the Indian Ocean becomes more important, not only as a source of transnational security challenges, but as a locus of great power competition.

We also need to think more creatively about how we can productively engage new partners. There is a largely untold story about how our strategic relationships have been quietly growing with a number of Asian countries, including Japan, South Korea and Singapore. There is also considerable potential to strengthen our defence and security ties with Indonesia, Vietnam and India – countries with whom our strategic relationships remain underdeveloped.

This is particularly the case with India. As the Indian Ocean becomes steadily more important, it makes increasing sense for Australia and India to work closely together, particularly on maritime security but also more broadly. Frankly, however, both sides have missed a lot of opportunities in this relationship. There has been too much looking backward in New Delhi and Canberra and not enough looking forward. I think the decision by the Rudd government to overturn its predecessor's agreement to export uranium to India for its nuclear energy industry is extremely short-sighted and unfortunate. As a result, not only have we let our competitors get the jump on us in an expanding market, but – even more importantly – we have sent India the signal that we do not fully trust the world's largest democracy, an emerging power and a potential counterweight to China. This was an extremely damaging decision made only for narrow internal domestic political purposes within the Labor Party and represents a major failure of political leadership. On a more positive note, it is pleasing that discussions about a free-trade agreement between Australia and India are finally getting started, although such negotiations can be very long, slow and painstaking.

Finally, stepping up to the various external challenges Australia faces will require a renewed national commitment to domestic economic reform, particularly to address declining productivity, skill shortages and inadequate infrastructure. Australia can only be strong, secure and confident in the world if it is strong, secure, confident and well-led at home.

The Author: Andrew Shearer is the Director of Studies at the Lowy Institute for International Policy. He has extensive experience in the Australian government, including serving as foreign policy adviser to former Prime Minister John Howard. Previously, he occupied a senior position in the Australian Embassy in Washington, DC, and was a strategic policy advisor to former Defence Minister Robert Hill. He has served in various positions in the Department of Foreign Affairs and Trade, the Department of the Prime Minister and Cabinet, and the Office of National Assessments. [Photo of Mr Shearer: Colonel J M Hutcheson, MC]