

Australia's management of strategic risk in the new era

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Executive summary

Australia's strategic outlook is deteriorating and, for the first time since World War II, we face an increased prospect of threat from a major power. This means that a major change in Australia's approach to the management of strategic risk is needed.

Strategic risk is a grey area in which governments need to make critical assessments of capability, motive and intent. Over recent decades, judgements in this area have relied heavily on the conclusion that the capabilities required for a serious assault on Australia simply did not exist in our region. In contrast, in the years ahead, the level of capability able to be brought to bear against Australia will increase, so judgements relating to contingencies and the associated warning time will need to rely less on evidence of capability and more on assessments of motive and intent. Such areas for judgement are inherently ambiguous and uncertain.



Australia and the Asia-Pacific region.

In particular, China's economic and political influence continues to grow, and its program of military modernisation and expansion is ambitious. The latter means that the comfortable judgements of previous years about the limited levels of capability within our region are no longer appropriate. The potential warning time is now shorter, because capability levels are higher and will increase yet further. This observation applies both to shorter term contingencies and, increasingly, to more serious contingencies credible in the foreseeable future.

It's important not to designate China as inevitably hostile to Australia, and to recognise in any case that there would be constraints on the expansion of its military influence. Beyond the short to medium term, there would be intrinsic difficulties in operating in waters potentially dominated by Indian anti-access capabilities, and there's potential, too, for Indonesia to develop significant sea-denial capabilities. Nevertheless, China's aggressive policies towards the South China Sea and elsewhere are grounds for concern that it seeks political domination over countries in its region, including countries in Southeast Asia and including Australia. It's China, therefore, that could come to pose serious challenges for Australian defence policy.

We need also to keep a watchful eye on Indonesia against the possibility that Islamist extremism will come to dominate that country. This isn't the country's current trajectory, but the security consequences for Australia of such a development would be severe, especially if Indonesia over the years ahead were to become a major regional power.

How should Australia respond? Contingencies that are credible in the shorter term could now be characterised by higher levels of intensity and technological sophistication than those of earlier decades. This means that readiness and sustainability need to be increased: we need higher training levels, a demonstrable and sustainable surge capacity, increased stocks of munitions, more maintenance spares, a robust fuel supply system, and modernised operational bases, especially in the north of Australia.

For the longer term, the key issue is whether there's a sound basis for the timely expansion of the ADF. In many ways, the expansion base is impressive, in that relevant capabilities already exist or are in the forward program, although not necessarily in the right numbers. Matters that would benefit from specific examination include the development of an Australian equivalent of an anti-access and area denial capability (especially for our vulnerable northern and western approaches) and an improved capacity for antisubmarine warfare.

In summary, the prospect of shortened warning times now needs to be a major factor in today's defence planning. Much more thought needs to be given to planning for the expansion of the ADF and its capacity to engage in high-intensity conflict in our own defence—in a way that we haven't previously had to consider. Planning for the defence of Australia needs to take the new realities into account, including by re-examining the ADF's preparedness levels and the lead-times for key elements of the expansion base. The conduct of operations further afield, and Defence's involvement in counterterrorism, must not be allowed to distract either from the effort that needs to go into this planning or from the funding that enhanced capabilities will require.

Introduction

For most of the past 40 years, Australian defence policy has been built on two complementary ideas. The first is that the capabilities of the ADF should be sufficient to meet the demands of those contingencies that might credibly arise in the shorter term. The second is that the ADF's structure should be the basis for expansion against the possibility of significant deterioration in Australia's strategic circumstances in the longer term.

The notion of warning time has been integral to both of these aspects, although in different ways. For the first case, while contingencies could occur with little warning, they wouldn't arise without at least some notice. There would need to be an issue of significant contention, followed by a period of deterioration in relationships, before there would be a realistic risk of the use or threatened use of armed force against us. The judgement has been that there would be time to increase the readiness and sustainability of those elements of the ADF and other parts of Defence, such as intelligence, most relevant to the contingency. In the context of government policy that has given highest priority to operations in the defence of Australia and, to a lesser extent, to operations in the region, a consistent conclusion has been that the severity of such contingencies would be limited by the modest levels of capability of those countries that might be in dispute with Australia.

In the second case, a central observation has been that no country in our region has had the capabilities that would enable it to make a serious assault on Australian territory. The conclusion, since the 1970s, that it would take a decade or more to develop such capabilities has been at the heart of defence policy that has focused on warning time and expansion to meet major emerging threats. And Australia's sense of security has been reinforced not only by the regional lack of capability but also by the evident absence of motive or intent. Furthermore, nations don't lightly embark on campaigns of military action against one another.¹

The absence of potentially hostile capability has been central, therefore, to both cases: it has constrained the potential severity of shorter term contingencies, and has meant that more severe contingencies could arise *only* beyond the shorter term. Now, however, several trends in Australia's strategic environment are pointing to more demanding and unsettled times. It's therefore appropriate to revisit the question of capability and warning time and to make an assessment of the consequences. Of most concern are those contingencies that could arise closer to Australia's region of direct strategic interest than in previous decades. For the most part, they would be developments that have little if any precedent in recent history. It's on those contingencies that this paper focuses.

Indicators and warnings

For any level of contingency, there's the expectation that a series of indicators and warnings would alert the government of the day. The government's response would be expected to include moving to higher levels of preparedness and, as necessary, expanding Australia's defence capabilities. What, then, would cause the Australian Government to conclude that force expansion and increased preparedness were required? There's little in the series of Australian defence white papers (DWP) on this subject. There are some hints, however, as to the complexity and possible ambiguity of the situation. For example, the 1976 DWP said that 'Major threats ... are unlikely to develop without preceding and perceptible indicators. The final emergence of a major military threat to Australia would be a late stage in a series of developments.'² It commented further that 'Requirements [for force expansion] will, of course, differ according to the nature of the possible threat that is perceived.'³

The 2016 DWP is also cautious and oblique on this subject, but with a focus on contemporary concerns. Its language implies what at least some indicators and warnings would be. While it invites the reader to accept that 'there is no more than a remote possibility of a military attack on Australian territory by another country in the period to 2035,' it also talks of the 'new complexities and challenges over the next 20 years'.⁴ It reinforces the idea that the commitment and capabilities of the US are critical to the stability of the Indo-Pacific region. It notes that 'China's policies and actions will have a major impact on the stability of the Indo-Pacific to 2035,' and comments that it will be important for China to provide reassurance to its neighbours 'by being more transparent about its defence policies'. It goes to considerable lengths to emphasise the importance of 'the rules-based global order' and admonishes that:

While it is natural for newly powerful countries to seek greater influence, they also have a responsibility to act in a way that constructively contributes to global stability, security and prosperity. However, some countries and non-state actors have sought to challenge the rules that govern actions in the global commons of the high seas, cyberspace and space in unhelpful ways, leading to uncertainty and tension.⁵

In our view, indicators and warnings could therefore include some or all of the following with regard to a potentially hostile foreign power in our region:

- the development of capability, doctrine and training
- the development of infrastructure that would support expeditionary operations, including offshore forward operating bases
- a more outward focus on military capability and operations
- increased levels of preparedness (readiness and sustainability)
- the emergence of an issue of serious contention between potential adversaries

- aggressive cyber operations
- increased levels of espionage and other information gathering
- exercises or an increased military presence in areas adjacent to the potential target country
- more assertive or aggressive policies and propaganda towards other countries, including those with a shared border or in the general neighbourhood, and including actions short of war
- lack of transparency with respect to policy, or inconsistencies between actions and declared policy.

There would be considerable ambiguity in many of these potential indicators. Not all of them would be robust indicators of aggressive intent, let alone towards Australia, and some, such as the development of capability, would have a longer gestation than others. Critically, however, to the extent that capability for offensive operations were developed, Australia would have to rely on the more judgemental indicators relating to motive and intent than on evidence of capability. The need for clear judgement would be compounded by the likely absence of an obvious warning threshold. In summary, such developments would require a major change in Australia's approach to the management of strategic risk.

To help manage this ambiguity and uncertainty, it will be vital for Australia to continue to have high levels of intelligence collection and analysis—a point that has been made persistently over many decades, and reinforced most recently in the 2017 Independent Intelligence Review.⁶ A further cause for concern would be evidence of seriously diminished commitment to the Indo-Pacific by the US on issues considered in Canberra to be vital to our strategic interests, directly or indirectly.

Australia's changing strategic circumstances

With a focus on indicators and warnings in mind, what can we say about Australia's emerging geostrategic environment? Australia has now entered a period of significant uncertainty in its strategic outlook. The 2016 DWP characterises this as follows:

We can expect greater uncertainty in Australia's strategic environment over the next two decades as a consequence of: the changes in the distribution of power in the Indo-Pacific and globally; the continuing threat of terrorism from groups like Daesh and from foreign terrorist fighters; the modernisation of regional military capabilities; the introduction of new military technologies such as cyber systems; and the proliferation of weapons of mass destruction and ballistic missile technology.⁷

The 2016 DWP goes on to comment that 'Australia's strategic circumstances can change quickly' and that the ADF 'must have higher levels of preparedness so that it can quickly and effectively respond to emerging circumstances and be better able to manage strategic risk.'⁸ These words were written in February 2016, however, and Australia's strategic outlook has indeed deteriorated since then through such developments as:

- the continuing shift in the balance of power in the region in favour of China and that country's military build-up and use of military coercion in the South China Sea, in the East China Sea and along its border with India
- the election of President Donald Trump in the US at a time of a perception of declining American power and concern about a more inward-looking and protectionist US that is less interested than before in Asia and in defending its allies
- the rapid acquisition by North Korea of a deliverable nuclear weapon capability based on long-range ballistic missiles that seems already to be capable of targeting parts of the US and Australia
- a Southeast Asia that appears to be drifting into the orbit of China and whose regional security organisation, ASEAN, has proved incapable of protecting its territorial interests in the South China Sea
- a pattern of competitive arms acquisitions, in which regional countries acquire advanced conventional weapon systems with greater range and accuracy, supported by increasingly sophisticated intelligence and surveillance systems
- increasing challenges to the so-called 'rules-based global order', which is mentioned over 40 times in the 2016 DWP.

The rules-based global order is becoming challenged not least by more assertive actions on the part of Russia and China. Those two authoritarian powers now perceive the West to be in crisis, amid rising doubts about its geopolitical unity, and they view the West, in particular the US, as a threat to their strategic interests and even to their domestic stability.

It has been suggested to us that these developments reflect a steady reduction in Australia's strategic space. This is shortening the time that Australia has to understand, prepare, and, if necessary, to respond to adverse developments.

China

More specifically to the concerns of this paper, it's clear that China has embarked upon a policy of expanding its political, economic and military strength and influence. This is to be seen in many areas. China is growing its international trade links, including through increased levels of foreign direct investment, underwritten by the continued growth and transformation of its own economy. Not least through the prospect of economic inducements and sanctions, it's in a strong position to bring pressure to bear on countries in its closer region, such as Japan and South Korea, as well as those of Indo-China and other parts of Southeast Asia, and those less proximate, such as Pakistan and Sri Lanka. In terms of power projection, its navy and air force are expanding and becoming more capable and professional. Australia's 2016 DWP speculates that by 2035 China's indicative defence expenditure will be comparable to that of the US.⁹ China's Belt and Road Initiative is emblematic of its attempts to take an integrated approach to trade, political influence, military influence, and the resilience of its trade routes and other lines of communication.

China's program of military modernisation and expansion is ambitious. Its doctrine highlights a 'growing emphasis on the importance of the maritime domain, the [Chinese Air Force's] shift towards more offensive operations ... and the need for China's military to be capable of securing growing overseas national interests.'¹⁰ The Chinese Navy (PLAN) is already the largest navy in Asia. Developments include the likely expansion of its submarine force from the present 64 boats to at least 70 by 2020,¹¹ the continued construction of capable surface combatants, and an intention to develop expeditionary amphibious assault capability, including for 'far seas' operations.¹² Its second aircraft carrier is expected to be launched in, and reach initial operational capability by, 2020.¹³

A key conclusion is this: the expansion of China's military capabilities will mean that the warning time for potential contingencies will become shorter. This will introduce new complications in Australia's approach to the management of strategic risk and the development of defence capability. It means that the margin for error in Australia's strategic assessments, and in the government's response to them, is now much less than in previous decades. It doesn't mean that China should automatically be seen as threatening to Australia, as there would also have to be motive and intent, which are evidently absent at the present time. Nonetheless, because motive and intent can change much more quickly than capability can be developed either to conduct offensive operations or to defend against them, the prospect of shortened warning time now needs to be a major factor in today's defence planning.

This applies both to contingencies that might arise with little warning (for example, if Australia were to become involved in US-led operations in the North Pacific) and to more serious operations beyond the shorter term, such as a major assault on Australia, as the capabilities needed for such operations seem likely, over the years, to enter service progressively with China's People's Liberation Army (PLA). The comfortable assumption of earlier decades that contingencies once regarded as credible in the shorter term would necessarily be 'lesser' is now no longer appropriate. Further, as China's capabilities develop over the years ahead, the differentiation between shorter term contingencies and those credible only in the longer term will erode.

It's China, therefore, that, directly or indirectly, could come to pose serious challenges for Australia's defence policy. The 2016 DWP expresses concerns about China, but in relatively muted language along the lines that as China grows it will 'seek greater influence' and it will be 'important for regional stability that it provides reassurance to its neighbours'.¹⁴ The DWP recognises that our strategic interests with China 'may differ in relation to some regional and global security issues'.¹⁵ But other than identifying 'a number of points of friction in the region' between the US and China that could generate rising tensions, including in the East China and South China seas, no specific military concerns are raised. Instead, the device is used simply to refer to 'a number of challenges which we need to prepare for'.¹⁶

Successive DWPs have necessarily been reticent about nominating a specific threat, but the 2016 DWP goes out of its way to dismiss the possibility of a direct military threat to Australia itself.¹⁷ In contrast, the 2009 DWP had a much franker attitude to the use of force in international relations, and it specifically stated that, after careful examination, 'it is the Government's view that it would be premature to judge that war among states, including the major powers, has been eliminated as a feature of the international system.'¹⁸ It went on to conclude that high-intensity wars among the major powers couldn't be ruled out.¹⁹ For the first time in the history of Australia's defence white papers, the 2009 DWP contained a section with the heading 'Major power adversaries?' that addressed the question of how to respond to an attack by a major power on Australia.²⁰

Nevertheless, as things stand today, we would probably still expect a long period of warning for a major assault on Australia.²¹ For a major power to consider attacking Australia, not only would it need to have extensive levels of capability but a serious dispute would also have to arise that would telegraph to the Australian intelligence community that the relationship was deteriorating so badly that armed conflict might result. In the past, we have always considered that under such conditions the ANZUS Treaty would apply and that there would be little doubt that the US would come to our military assistance. Any military conflict between the US and a major aggressive power, such as China or Russia, would inevitably bring into consideration the use of nuclear weapons if conventional conflict were prolonged and escalated into attacks on the homelands of the major powers. Although China still seems to be of the view that it wants to get rid of America's alliances in Asia, there's no indication that it wants to risk nuclear war to achieve that. Even so, the arrival of Donald Trump as US President must be raising serious uncertainties in the minds of Beijing's leadership.

On the other hand, were Australia to become involved on America's side in a limited conventional conflict, for example in the East China Sea, Beijing might seek to divert our attention by mounting diversionary attacks on Australia itself. The 2009 DWP examined this possibility; it considered 'in the most drastic circumstance' that Australia would have to contend with major-power adversaries operating in its approaches as a consequence of a wider conflict in the Asia-Pacific region. It noted that it wasn't a current defence planning assumption that Australia would be involved in such a conflict on its own, but 'we do assume that, except in the case of nuclear attack, Australia has to provide for its own local defence needs without relying on the combat forces of other countries.'²² The 2009 DWP asserted that the 'weight and reach of the force the Government intends to build gives us an acceptable margin of confidence that hostile military operations in our primary operational environment can be contested effectively by the ADF.'²³ It claimed that this included circumstances in which we would have to attend to our own defence needs against a major-power adversary in the event of our being involved in a wider conflict, and that 'substantial costs will be imposed on our adversaries.'²⁴

This is a bold claim and raises the question of the size of forces and their reach that Australia would require in such a situation and how long they would take to develop. As the 2009 DWP observed, 'the more likely this risk, the heavier the force we would need.'²⁵ If we consider this to be a remote but plausible contingency in foreseeable strategic circumstances—as indeed it now is—then much more thought needs to be given to planning the expansion of the ADF to engage in high-intensity conventional conflict in our own direct defence in a way we haven't previously had to consider.

Over the next 20 years or more, conflict with China isn't the only credible contingency. But it's difficult to imagine any other major power—including Russia, given our distance from its main strategic concerns—attacking Australia. And that obviously applies to the other major-power contenders, including Japan and India, which are long-established, robust democracies. China, therefore, occupies a special place in our thinking about the unthinkable in this part of the world. In its own immediate neighbourhood—including the Taiwan Strait and the East and South China seas—Beijing is developing the capability to offer a serious challenge to potential adversaries, including the US and its allies. In the reasonably near future, China may be able to project significant military power into Australia's northern and western approaches.

It's important, however, to put China's apparent ambitions into a broader context and to recognise that it would face some intrinsic difficulties.²⁶ Attempts to influence other countries won't always be successful, as there will be cultural barriers, including those that arise from the dominant position of religious beliefs in the cultures of a good number of its potential target countries. There are many such nations in the Indo-Pacific, and important examples include Indonesia, the Philippines and Pakistan. China's

heavy-handed treatment of the Muslim Uygurs in its Xinjiang province would, at the very least, be a source of concern to their more militant co-religionists in other countries, irrespective of what their governments thought. Further, China has a more general reputation for diplomatic clumsiness and alienation when dealing with other cultures. And, beyond the immediate term, the growing economic strength of India will have the potential to offer an alternative to China's economic and political influence.²⁷

The military capabilities and doctrine needed for joint operations, power projection and amphibious assault, especially against a capable adversary, take a long time to develop, and the equipment is difficult to develop and expensive to acquire. This observation has been at the heart of the conclusion, over the past 40 years, that the warning time for major assault would be 10 years or more, and is most likely the core argument in the 2016 DWP that Australia is most unlikely to face a major attack in the period to 2035.²⁸ Further, surface operations by the PLAN in waters distant from the Chinese mainland would face the challenges of resupply and vulnerability that any navy other than the US Navy would face, especially against a peer competitor. Operations in the Indian Ocean proximate to India would be vulnerable to attack from India's land-based and naval forces. Beyond the short-to-medium term, once India had developed the capabilities, China's carrier battle groups in the Indian Ocean would potentially be at risk to the Indian equivalent of the anti-access and area-denial that China seeks to impose on hostile maritime forces in its own proximate waters. Given continued economic development and political stability, Indonesia, too, could find itself able to exert significant control and denial in its adjacent maritime areas.²⁹

China's maritime forces, especially when on operations distant from its mainland bases, will be vulnerable to attack by submarine, as the PLAN continues to lack a robust deepwater antisubmarine warfare (ASW) capability, and there are 'doubts about whether it can collect accurate targeting information and pass it to launch platforms in time for successful strikes in sea areas beyond the first island chain'.³⁰ Moreover, Chinese submarines are 'still so noisy that experts predict it will be decades before Beijing can field survivable submarines'.³¹ In addition, China's armed forces have no experience of modern combat operations in high-intensity conflict, and it is yet to demonstrate, for example, the real accuracy of such weapons as the so-called 'anti-aircraft carrier' DF-21 ballistic missile in combat.

China has no overseas military bases, although it's constructing what it calls an 'overseas logistic base' in Djibouti.³² On the other hand, were China to acquire a military base in the Southeast Asian archipelago, the strategic consequences for us would be serious. We have long acknowledged in our defence planning that, were a foreign power to secure a military base in the archipelago, that would greatly improve its capacity to use military power against us. For example, the 2013 DWP stated that 'We would be concerned if potentially hostile powers established a presence in Southeast Asia that could be used to project power against Australia'.³³ If Australian intelligence were to detect the development of a military base by China in the archipelago to our north, it would be vital that we had the military capacity—if required—to deny it to the PLA.

None of the foregoing discussion treats China as inevitably becoming our enemy. But neither does it pretend that our strategic circumstances aren't changing dramatically. It will be critical for our intelligence agencies to track in detail the trajectory of China's future military power and its implications for us. At present, the jury is still out on China's military intentions. Does it seek to become the dominant power in Asia, requiring all lesser powers—including Australia—to do its bidding? Or will it instead become a great power that peacefully shares power with other major powers, including the US, Japan and India? The evidence is beginning to show that it is the first proposition that Beijing's aiming for: that it intends to use its rapidly increasing economic strength and military power to expand its strategic space through the use of coercion and the threat of force. We're witnessing this in Southeast Asia, much of which is effectively drifting into the orbit of China. And in the South China Sea, Beijing's building of military facilities—including airstrips for fighter aircraft and longer range strategic bombers—has effectively brought China's military presence over 1,200 kilometres closer to our northern approaches. This development in itself should be a matter of considerable concern for our defence planning.

Indonesia

We need also to keep a watchful eye on Indonesia.³⁴ Our concern here is whether Islamic extremism is entering the mainstream of Indonesian politics, and so eventually posing a direct threat to Indonesia's domestic stability and having implications for our own security.

What are the risks of our being faced by a hostile Indonesia? If a future Indonesia were to slide towards some sort of aggressive Islamist extremist state, Australia would face a strategic challenge of the first order because that state could pose a fundamental threat to Australia's security. Such a challenge on our very doorstep would have grave consequences for our defence preparedness and the ADF's expansion base. If Indonesia continues along its recent economic growth path, it promises to be somewhere between the fourth or seventh largest economy in the world by mid-century, with a population approaching 370 million people. It would then rank as a major regional power, and its sheer economic size would give it the option of developing much more serious military capabilities than it ever has in the past.

We have seen Indonesia move towards radical extremes before. In the early 1960s, President Sukarno ran a regime that was hostile to the West, including Australia. At that time, Indonesia had the third-largest communist party in the world after China and the Soviet Union, and its policy of Confrontation (*Konfrontasi*) with Malaya and Singapore involved armed conflict with those countries, the UK and Australia. Sukarno's Indonesia was being supplied by Moscow with advanced military equipment that was much better than Australia's.³⁵ As a result, Canberra made the decision to order the F-111 fighter-bombers that would be capable of bombing missions to Jakarta and back from airfields in northern Australia without refuelling. We also ordered the potent Oberon-class submarines and Charles F Adams class guided-missile destroyers. At that time, we recognised that it did not follow that America would necessarily come to our defence in the event of armed conflict with Indonesia. That might well be the case in the kind of future contingency we're considering in this paper, as well.

None of this is to extrapolate from current trends in religious violence in Indonesia to that country inevitably becoming a threat. But the recent violent Islamist demonstrations in Jakarta could cause unpredictably large changes in outcome, with disastrous results. As the 2009 DWP carefully observed: 'An authoritarian or overly nationalistic regime in Jakarta would also create strategic risks for its neighbours.'³⁶ It's too early to give an answer as to whether Islamist extremism is entering into the mainstream of Indonesian politics or not, but that question 'is at the sharp end of what we should be watching'.³⁷

We should not, therefore, dismiss the possibility of our Indonesian neighbour lurching into the sort of extreme religious nationalism that we're seeing elsewhere in the world. Because of its proximity to northern Australia and our vital lines of communication, as well as its size and different cultural make-up, Indonesia will always have the potential attributes to be both a good friend and—in the worst of contingencies—a serious adversary. Historically, neighbouring countries that have markedly different cultures, ethnic compositions and religions have most often gone to war (witness the history of Europe and some parts of Asia). Over the past half-century, Australia and Indonesia have averted that fate—including over the independence of East Timor—through a combination of good management and some luck.³⁸ It's important that we continue to give our relations with Indonesia high priority: we need a deep and expert understanding of that country.

The decades ahead will probably not see much diminution in the scope for periodic disagreements between our two countries. But prudent Australian defence planning will need to keep an extremely close eye on the direction of Indonesian domestic stability, including the role of Islamist extremism, and its implications for its own security. Were this scenario to unfold, the implications for our defence planning and force structure would be similar to those outlined above in the event of hostilities with China. It would be vital for us to be able to demonstrate decisively that we could deny any future Indonesian military operations against our territory and also have the ability to mount punishing strike operations against their bases in the archipelago.

What should Australia do in response?

The transformation of major-power relations in the Asia–Pacific region is having a profound effect on our strategic circumstances, such that we need to consider both the shorter and longer term consequences. As this paper has argued, there's the prospect that some of the shorter term contingencies to which the government might need to respond would be characterised by higher levels of intensity and technological sophistication than those of earlier decades. This means that readiness and sustainability need to be increased, implying the need for higher training levels, greater stocks of munitions and maintenance spares, and the continued development of joint force doctrine. The 2016 DWP in effect says as much,³⁹ but the extent to which the government has allocated more funds to this is not clear and is open to question.⁴⁰ Without such increases to defence preparedness, the options available to the government for the ADF's involvement in contingencies, including those in the broader region led by the US, would run the risk of being severely constrained.

A particular aspect of preparedness is the ability to sustain operations around the clock for weeks or possibly months. The question arises, then, of the steps that Defence needs to take to ensure that Australia is capable of such a surge. Areas that should be examined include staffing levels for surveillance capabilities and command and control, intelligence analysts, cyber operators and combat pilots. There needs to be rigorous analysis, which we doubt has been conducted, of how this could be achieved.

A further aspect of sustainability is stocks of munitions. Missiles, in particular, are expensive, but the sort of sustained operations that we envisage will demand a significant stockpile of air-, surface- and subsurface-launched missiles, as well as anti-ship and antisubmarine torpedoes. We aren't privy to classified data about ADF stockholding policy in this regard, but in the past it has tended to be based on minimal levels strongly influenced by peacetime training rates. Any significant military operation involving China would be much more demanding and would include sustained strike operations.

Fuel would be critical to the sustainability of our force posture, but the resilience of our fuel supply arrangements under the stress of the contingencies that we envisage is highly questionable. Australia's fuel supplies are now almost entirely imported, mainly from the Middle East and Singapore, following the closure of three of our seven domestic oil refineries since 2012. This leaves us particularly vulnerable to the interdiction of oil imports through Southeast Asian waters. A 2014 study of this vulnerability concluded that Australia's fuel stocks amount to only about three weeks' worth of oil and refined fuels in-country.⁴¹ The level of net oil import stocks recommended by the International Energy Agency is 90 days. Australia has 60 days of net import stocks and is the only member state of the agency that fails to maintain the 90-day level. (In contrast, South Korea has 240 days of net oil stockholding levels and Japan 152 days.) The 2014 report also estimated that Australia's in-country stockpile, which excludes shipments *en route* to Australia, is only 17 days for aviation gasoline. Successive Australian governments have been negligent in not recognising the critical strategic vulnerability that we now have. Defence needs to make provision for sufficient fuel supplies to support the sort of sustained military operations outlined in this paper.

The bases from which operations would be mounted also need attention. The 2016 DWP makes some highly relevant recommendations about the ADF bases in northern Australia as 'key enablers'.⁴² In particular, it commits the government to a strengthened defence presence in northern Australia, including investment in infrastructure support for the ADF's strike and air combat capabilities, to include upgrades to RAAF bases at Tindal in the Northern Territory, Scherger in Queensland and Learmonth and Curtin in Western Australia.⁴³ Naval bases in northern Australia and Western Australia will require significant upgrades, including those needed to accommodate larger submarines and surface warships. The airfield at Cocos Island in the eastern Indian Ocean needs to be extended to accommodate surveillance operations by both P-3 Orion and the new P-8A Poseidon maritime surveillance aircraft, as well as long-range high-altitude unmanned aircraft.

There's also a case to consider options for hardening and resilience improvements at forward main bases and bare bases in the north to mitigate risks associated with increasing strike capabilities in the region.⁴⁴ This is now more urgent. There's a need also to assess the capacity of the logistics supply chain to meet strategic fuel and explosive ordnance requirements in northern Australia.

Longer term consequences

The issue for the longer term is whether we have built a sound basis from which to expand the ADF, especially our strike, air combat and maritime capabilities. Having such an expanded capability would significantly increase the military planning challenges faced by any capable adversary and increase the size and capabilities of the force it would have to be prepared to commit to attack us directly, or to coerce, intimidate or otherwise employ military power against us.

Current plans for the ADF include expansion at the margins rather than large-scale increases. Nevertheless, in terms of modernisation, the capabilities of today's ADF, and those being acquired, are a significant advance on those of, say, 30 years ago.⁴⁵ Examples include the F-35A Joint Strike Fighter, the F/A-18F Super Hornet, the EA-18G Growler electronic attack aircraft, the E-7A Wedgetail airborne early warning and control aircraft, capable in-flight refuelling aircraft, the AP-8A Poseidon maritime patrol aircraft, the Jindalee Operational Radar Network (JORN, which is programmed for an extensive upgrade), the air warfare destroyers, the intended acquisition of nine future ASW frigates, a general modernisation of the Army, and a continued focus on developing capability and doctrine for joint force operations and an integrated real-time C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance) capability.⁴⁶

This implies, however, that we're still planning on roughly the same number of combat aircraft as were considered appropriate 30 years ago for the 'core force'. The numbers of frigates and destroyers are also little changed. While it's true that modern platforms (and their sensors and weapons) are much more capable than their predecessors, it's also true that quantity has a quality all of its own. It isn't credible to imagine that a major contingency wouldn't require greater numbers in those, and other, areas of defence capability.

The only major planned expansion is the doubling of the size of the submarine force from six to 12 boats. In strategic terms, the government's justification for this expansion is unclear, not least because the force won't reach the planned total until the late 2040s or early 2050s, even without significant difficulties or delays along the way. Nevertheless, it's important to recognise that the expansion is broadly consistent with Australia's longstanding strategic priority for high levels of maritime capability. However, in our view, there's a strong case to consider whether Australia should plan to acquire nuclear-powered attack submarines beyond the replacement of the Collins class, and the steps that would be necessary to achieve that. It appears that this is yet to be addressed.

The 2016 DWP does include some indications of further enhancements to the force structure beyond the shorter term. They include 'in the longer term, ... potential investment in space-based sensors', 'new long range electronic warfare support aircraft ... in the early 2020s', advanced air defence and strike weapons for the air combat fleet, new medium-range ground-based air defence weapons (in the mid- to late 2020s) and new deployable land-based anti-ship missiles. 'Options to replace the Super Hornets in the late 2020s will be considered in the early 2020s' in the light, *inter alia*, of the strategic environment. There's also a brief—and incomplete—discussion of the need to consider options for the defence of Australia and deployed Australian forces against attack by cruise and ballistic missiles. If these options for enhancements are implemented, they will represent important improvements to Australia's ability to counter attempts at serious enemy assault. However, as with all initiatives programmed for the later years of the new equipment program, there's always a risk of deferral or cancellation, especially in the event of cost blowouts in other projects or pressures on defence funding levels.

What is also not clear is whether the development of Australia's ASW capabilities will be sufficient, despite the intention to acquire the AP-8A long-range maritime patrol aircraft and nine ASW frigates. In many ways, this is merely a modernisation of what we already have. Submarines are difficult to counter—which is in part why Australia is justified in expanding its own submarine fleet—so it would be reassuring to be told that Defence is investigating more innovative ways to conduct antisubmarine operations. The 2016 DWP assesses that not only is China likely to have at least 70 submarines by 2020 but that, in the next two decades, half of the world's submarines will be operating within the broader Indo-Pacific region.⁴⁷ Perhaps the unexpected appearance of a Chinese submarine off Sydney Heads is needed to provide the necessary catalyst.

One option open to Australia is to develop our own version of an anti-access and area-denial capability, especially in our northern and western approaches and the eastern Indian Ocean. Our approach to this concept needs to recognise that China would be vulnerable to such capabilities, especially when operating at a distance from its main operating bases.

Attacks on Australia of an intensity and duration sufficient to be a serious threat to our national way of life would be possible only by forces with access to bases and facilities in our immediate neighbourhood. This needs to be taken into account when considering the development of Australia's strike forces so that they have sufficient weight to destroy or at least deny such enemy military bases. This involves reconsidering the range, endurance and weapon load of our strike forces and the numbers needed for repeated strike operations in the archipelago to our immediate north.

We also need to take into account our local defence needs in the event of retaliatory action being taken by a major power against us. The 2009 DWP listed such actions as including aggressive intelligence collection operations; missile strike, air attack, or special forces raids against Australian territory or offshore facilities; mining of our ports and maritime chokepoints; threats to or harassment of critical shipping between Australia and its trade partners; hostile submarine operations in our approaches; and cyberattacks on our defence, government and possibly civil information networks.⁴⁸ It observed that in such a highly threatening contingency the ADF would need to hold sufficient forces in and around Australia at heightened levels of readiness to meet such threats.⁴⁹

Note that we're not arguing in this paper that the ADF expansion base needs to prepare for a much heavier army. We don't envisage transforming the current Australian Army from a light infantry structure of modest size into a much heavier, armoured land force. Instead, the Army needs to renew its familiarity with the north of Australia and its approaches, which it has tended to ignore for the past 20 years, and to continue to develop its limited amphibious capability.

As we've seen, consideration of force expansion for the longer term is complex, and it's important not to be unnecessarily alarmist. The real issue is whether the pace of modernisation of the ADF and its potential for significant expansion are keeping up with the increased demands that are implied by the reduced periods of warning argued in this paper. Has Defence been able to escape the long shadows cast by the comfortable assumptions of earlier decades about force structure and preparedness? Whether there's now a sufficient understanding of the demands of force expansion can't be known without extensive analytical study and access to classified intelligence information. However, it's critically important, and it would be reassuring to hear that Defence is giving the matter the priority that it requires.

Conclusion

The enduring message of this paper's review of Australia's evolving strategic circumstances is that warning time is becoming shorter and that the management of strategic risk is becoming significantly more demanding. It's imperative, then, that planning for the defence of Australia and for operations in our immediate region resumes the priority that it once had. The conduct of operations further afield, and Defence's involvement in counterterrorism, must not be allowed to distract either from the effort that needs to go into this planning or from the funding that enhanced capabilities will require.

Notes

- 1 For an expanded discussion of warning time, see Richard Brabin-Smith, 'Force expansion and warning time', *Security Challenges*, Winter 2012, 8(2):33–47, and Richard Brabin-Smith, *Contingencies and warning time*, Centre of Gravity series, Strategic and Defence Studies Centre, October 2013.
- 2 Department of Defence (DoD), *Australian defence*, Australian Government Publishing Service, Canberra, November 1976, 10.
- 3 DoD, *Australian defence*, 12.
- 4 DoD, *2016 Defence White Paper*, Australian Government, Canberra, 2016, 40, [online](#).
- 5 DoD, *2016 Defence White Paper*, 41–46. The next paragraph (2.25) mentions, by name, Russia and North Korea, but the context makes it clear that the expression 'newly powerful countries' refers principally to China.
- 6 Department of the Prime Minister and Cabinet, *2017 Independent Intelligence Review*, Australian Government, Canberra, June 2017, [online](#).
- 7 DoD, *2016 Defence White Paper*, 32. (The *2017 Independent Intelligence Review* makes similar points.)
- 8 DoD, *2016 Defence White Paper*, 32, 34.
- 9 DoD, *2016 Defence White Paper*, 49, Figure 1.
- 10 Office of the Secretary of Defense (OSD), *Annual report to Congress: Military and security developments involving the People's Republic of China 2017*, 3, [online](#).
- 11 OSD, *Annual report to Congress*, 27. It assesses China's submarine fleet in 2017 to comprise four SSBNs, seven SSNs and 53 SSKs.
- 12 OSD, *Annual report to Congress*, 24–26.
- 13 OSD, *Annual report to Congress*, 26. It should be noted, however, that the PLAN's aircraft carriers are nowhere near the size and capability of those of the US Navy.
- 14 DoD, *2016 Defence White Paper*, 42.
- 15 DoD, *2016 Defence White Paper*, 44.
- 16 DoD, *2016 Defence White Paper*, 15, 43.
- 17 DoD, *2016 Defence White Paper*, 71: '... there is no more than a remote chance of a military attack on Australian territory by another country.'
- 18 DoD, *Defending Australia in the Asia Pacific century: Force 2030*, Australian Government, Canberra, 2009, 22, [online](#).
- 19 DoD, *Defending Australia in the Asia Pacific century: Force 2030*.
- 20 DoD, *Defending Australia in the Asia Pacific century: Force 2030*, 64–65.
- 21 However, the implied assessment in the 2016 DWP that there would be a warning of some 20 years seems to us to be far too sanguine (see DoD, *2016 Defence White Paper*, 40).
- 22 DoD, *Defending Australia in the Asia Pacific century: Force 2030*, 65.
- 23 DoD, *Defending Australia in the Asia Pacific century: Force 2030*, 65.
- 24 DoD, *Defending Australia in the Asia Pacific century: Force 2030*.
- 25 DoD, *Defending Australia in the Asia Pacific century: Force 2030*, 64.
- 26 See, for example, Evelyn Goh (ed.), *Rising China's influence in developing Asia*, Oxford, 2016, for a discussion of China's influence on other nations in practice.
- 27 DoD, *2016 Defence White Paper*, 62: 'India could be the world's third-largest economy before 2030.'
- 28 DoD, *2016 Defence White Paper*, 40.
- 29 DoD, *2016 Defence White Paper*, 59: 'By 2035, Indonesia should be a major world economy.'
- 30 OSD, *Annual report to Congress*, 50.

- 31 Keir A Lieber, Daryl G Preiss, 'The new era of counterforce', *International Security*, Spring 2017, 47.
- 32 'Chinese troop to construct base in Africa', *The Australian Financial Review*, 13 July 2017, 10. China is also investing heavily in the development of the ports of Hambantota in Sri Lanka and Gwadar in Pakistan.
- 33 DoD, *Defence White Paper 2013*, Australian Government, Canberra, 2013, 25, [online](#).
- 34 See Paul Dibb, 'Could Indonesia pose a future threat to Australia?', *The Strategist*, ASPI, Canberra, 17 May 2017, [online](#).
- 35 This included 25 Badger bombers, 68 MiG fighters, a Sverdlov cruiser, 15 destroyers and 12 Whiskey-class submarines.
- 36 DoD, *Defending Australia in the Asia Pacific century: Force 2030*, 35. Note that the 2016 DWP expresses no such concerns about Indonesia.
- 37 Defence Secretary Dennis Richardson, retirement speech, National Press Club, 12 May 2017.
- 38 See Paul Dibb, Richard Brabin-Smith, 'Indonesia in Australia's defence planning', *Security Challenges*, November 2007, 67–93.
- 39 DoD, *2016 Defence White Paper*, 34.
- 40 See, for example, the series of reports analysing the annual defence budget published each year by ASPI (*The cost of Defence*).
- 41 Air Vice-Marshal (ret'd) John Blackburn, *Australia's liquid fuel security*, report for NRMA Motoring & Services, February 2014, 3.
- 42 DoD, *2016 Defence White Paper*, 103–104.
- 43 These would be needed to support operations by Joint Strike Fighters, Wedgetail airborne early warning and control aircraft, and in-flight refuelling aircraft.
- 44 Allan Hawke, Ric Smith, *Australian Defence Force Posture Review*, 30 March 2012, 43, [online](#). This states that there's a case for considering physical hardening, dispersal and deception measures, and such emerging priorities as electromagnetic resilience.
- 45 The 1987 DWP provides a good point of comparison (*The Defence of Australia*, Australian Government Publishing Service, Canberra, 1987).
- 46 There's also a focus on improving Australia's cyber capabilities, but discussion of this is beyond the scope of this paper.
- 47 DoD, *2016 Defence White Paper*, 42, 50.
- 48 DoD, *Defending Australia in the Asia Pacific century: Force 2030*, 55.
- 49 DoD, *Defending Australia in the Asia Pacific century: Force 2030*, 55.

Acronyms and abbreviations

| | |
|-------|--|
| ADF | Australian Defence Force |
| ASEAN | Association of Southeast Asian Nations |
| ASW | antisubmarine warfare |
| PLA | People's Liberation Army |
| PLAN | PLA Navy |
| RAAF | Royal Australian Air Force |

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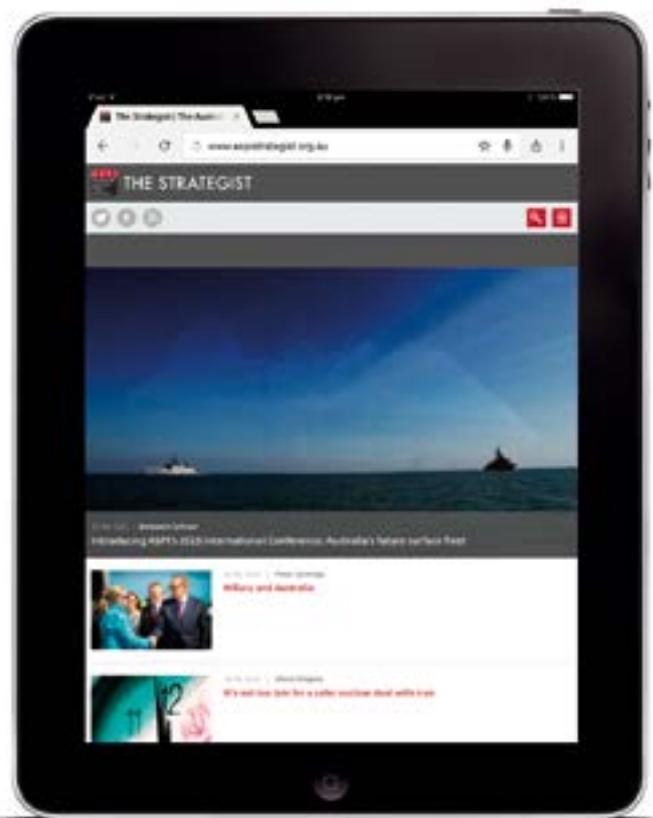


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