

Address to the Land Forces 2014 International Defence and Industry Dinner

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I am delighted to have the opportunity to speak at the Land Forces 2014 dinner.

My business is strategy and policy. But it is worth remembering in Defence that the end point of strategy is usually a soldier with a rifle on deployment.

As I speak the Australian Defence Force is once again in the Middle East, preparing for conflict against a truly odious enemy.

We all understand the need driving an international coalition of countries, including many Arab states, to confront the terror group ISIL.

My starting point tonight is simply how difficult it is to think in strategic terms about the future defence challenges we will face.

Few people in January this year would have anticipated that the international community would be gearing for another major conflict in the Middle East.

And no one could have anticipated the events that lead Australian police and others to be deployed to a field in eastern Ukraine, or that saw an unlikely coalition of Australia, Malaysians, Chinese, Japanese, South Koreans, Americans and others searching the Southern Indian Ocean for aircraft wreckage.

I have always felt that strategists need to be modest people. We don't know what we don't know. And we are often wrong in many of the judgements we make.

Less than ten days ago I said that it would be unlikely, based on opinion poll trends, that the anti-independence vote in Scotland would reach 55 per cent.

I'm relieved to say I was wrong. The state of the union is strong. The British union I mean, and once again a strategist – me – got it wrong to think that a trend is irreversible.

All of which, I strongly advise, should incline you to take with a pinch of salt the things I'm going to say this evening.

I want to talk about the likely future strategic environment we face. And I'll do that by starting broad and then narrow in on what these trends mean for Land forces and for industry.

I'll make eight propositions for you to consider. For me these are a framework for thinking about the kinds of Defence Force Australia should have for the future.

1. The world is returning to an era of hard power.

2014 is the year hard power re-emerged as the driving force in international affairs. Hard power is the actual or threatened use of military force to achieve national objectives. It's an ugly thing, supposedly a relic of an uglier past abandoned by modern states in favour of diplomacy. But after Ukraine, Syria, the Senkakus and the South China Sea, can anyone doubt that the supposed rise of the post-modern peaceful state is an illusion? Hard power is back—indeed, it never really went away. So how should we deal with that reality?

Russia's open military annexation of Crimea and barely-disguised subversion of Kiev's authority in Ukraine's eastern provinces constitute a show of hard power as naked as Hitler's march into the Sudetenland.

Russia will pursue its strategic objectives unconcerned about how badly that pursuit plays in the *New York Times*, or the Hague.

In the Middle East there's no more fearsome demonstration of hard power than the Syrian regime's use of all possible measures to stay in control. Assad's regime will use helicopters to drop barrels packed with high explosives onto civilian targets. Hard power doesn't need sophisticated weapons, just determination.

A clear lesson from the last few years is that getting and using power is the best guarantee against foreign interference. America's challenge is immense: it must reconstitute a tired military and shake off its aversion to being dragged into conflicts at precisely the moment the rest of the world rediscovers the blunt-edged value of force.

What does the re-emergence of hard power mean for Australia? First, there's no post-Afghanistan peace dividend to be harvested. Second, the Asia-Pacific is a rough neighbourhood. Third, military strength is a prerequisite for being taken seriously in that neighbourhood. Fourth, regional security cooperation is a noble aspiration, and we should pursue it with serious intent, but we shouldn't imagine it's the only possible future. Finally, maintaining hard power capabilities shouldn't be a cause of embarrassment.

2. The Asia-Pacific is emerging as a higher risk strategic zone.

This leads me to my second contention, which is that the Asia-Pacific is emerging as a higher risk strategic zone.

In my view there is right now some confusion about how to think and write about our strategic outlook. This has been caused by mixed messages being delivered in a series of past major policy statements. The *2009 Defence White Paper* painted a picture of greater strategic complexity and uncertainty emerging in the Asia-Pacific. The response to this was a plan for a significant long term increase in defence spending, and a strong focus on maritime capabilities. Although the language of the white paper was moderate on China, the broader background buzz was more negative about Beijing and emphasised what Australia might do to effect some strategic weight in the region.

Contrast that with the three major foreign and defence policy statements released by the Gillard government. The *Asian Century White Paper* was remarkable for the optimism it expressed about

long-term stable growth in the Asia-Pacific. Defence and security were a rather reluctant afterthought in what was primarily an economist's positive view of the region. The Prime Minister's January 2013 *National Security Statement* described Australia's strategic landscape as 'largely positive' and 'relatively benign', language which partly helped to explain the more than \$20 billion worth of defence spending cuts and deferrals that had been imposed in the proceeding four years. The *2013 Defence White Paper* significantly moderated the language on China and on Australia's role in the region without changing force structure settings.

To say the least this is a confusing legacy for current policy makers. It had something to do with positioning between Prime Minister's Rudd and Gillard. It also reflected an ambivalence in the official community about how to deal with the very different views of the region that exist depending on whether you think like an economist or like a strategist.

The greater risk in the Asia-Pacific comes from a number of factors:

- A substantial increase in the capabilities and reach of many regional military forces.
- A growth in strong nationalist sentiment on the part of some populations;
- A more assertive approach to competing territory and maritime claims;
- A lack of mechanisms to handle interstate disputes, finally
- A failure in some countries to address internal problems that give rise to internal conflict.

All of these developments combine to make the potential for military conflict higher and more risk than we have seen for years.

3. The Middle East is only starting a period of painful transition.

My third contention is that the Middle East is only starting a period of painful transition. The Arab Spring seems to have transitioned to a long and unhappy winter. There are some pockets of stability and growth, but in general the region has failed its people over the inability of Arab states to deliver education, growth, peace and stability. The price being paid is that regimes and even countries are at risk of being swept away.

The Middle East will see profound political and social change in coming years, most of it will be beyond the capacity of the rest of the world to shape. But an outcome is likely to be a continuing need for engagement on the part of the US and its allies when we define that change has the potential to bring about threats to global interests. On top of that we can overlay a heightened competition for access to energy resources bringing China, Russia, India and other countries into the region.

I would defy anyone to confidently say where these developments will take us. But I'd point out a couple of implications for the Asia-Pacific:

- Middle East turmoil will slow America's capacity to rebalance its strategic priority to Asia;
- North Asia will continue to remain dependent on Middle East oil for some decades to come.
- Australia will feel US pressure to engage ourselves in coalition operations in the region.
- Finally, miscast Islamist terrorism will not go away, and will present a particular challenge in Southeast Asia and to Western countries.

4. America will remain powerful but will depend on allies more

My fourth point is that America will remain powerful but will depend on allies more.

On foreign policy President Obama is clearly reluctant to reengage the US in military operations. And who could blame them after the experience and cost of the last decade. But as we see in Iraq and Syria the US doesn't have a realistic choice to disengage.

I think this approach of being reluctant to engage will be a characteristic of US military policy for some time. And what that means for the allies is we will increasingly be expected to do more for our own security interests and for the global good.

For Australia this has plusses and minuses. In some respects we are the victim of our own success on operations since East Timor. The US now has a heightened expectation of what we can and should do as a capable and consequential power with global interests.

We should expect to be called on to lead any stabilisation tasks in our own region, and to be able to do this without substantial US combat support.

We should expect to make substantive contributions to global coalition efforts in the Middle East and elsewhere. For example being identified as an enhanced partner by NATO is more than just a title, it carries expectations about what we will do internationally.

If we don't match up to these expectations, the US and others will certainly start to revise its judgement of our worthiness as an ally. In a tougher transactional age, you are only as credible as your last military operation.

5. Australia's nearer region will require further stabilisation operations

Fifth, we can expect to remain busy in our own immediate region on stabilisation operations.

The ADF was largely on continuous operations in our nearer region from the start of peace monitoring in Bougainville in 1997 through to the withdrawal of the RAMSI force from Solomon Islands in 2013.

Our experience over that period showed that while it is relatively easy to intervene and bring order, it is altogether more difficult to build capability and find sustainable ways for island societies to remain peaceful.

The nature of some of the social and governance challenges faced by smaller states in the region make it likely that we will need to undertake further stabilisation tasks in the future.

That clearly has cost and design implications for defence, and for the agencies that work with defence when the ADF deploys.

6. Mostly this is not positive news for Australia

My sixth contention is that all of the above developments are, mostly, not positive news for Australia.

Our region is more complex, our allies more demanding, competition and risk are heightening and we are likely to see a continuing series of operational challenges for the ADF both in our near region and further afield.

This is the challenge of being a large but far from dominant power in the region and of wanting to play a constructive role in global affairs.

The upshot of all of these developments is that we all must get better, smarter and faster at what we do.

I would argue the consequences of these developments mean that:

- Governments need to become more agile in shaping policy.
- We will need every bit of the 2 per cent of Gross National Product both the Government and Opposition say they are committed to providing Defence by 2023-24.
- We needed an expanded diplomatic capability at home and abroad to support the wider range of Australian interests
- We need to deepen our strategic engagement with key friends and partners in the region; and,
- We will need to work harder to shape the US alliance to our interests.

7. Army needs to stay flexible and to test its assumptions more thoroughly

The key conclusion for Army is that it faces a future where commitments will be heavy, and potentially range from stabilisation tasks to much more higher-end conflict in the Middle east and elsewhere.

Army will need to put a high premium on interoperability with the US and key friends and allies, but also be able to work autonomously in regional situations on a range of non-conflict or minimal conflict tasks.

I doubt that we will see any reductions to the overall size of Army, but I suggest there is a need to make sure the organisation is optimised to flexibly meet with challenges and to deal with asymmetric approaches to combat that undercut large standing forces.

So I suggest some key challenges for Army, and indeed for the ADF and National security community as a whole include:

- Can Army build a faster mechanism to harness trends in capability development and incorporate new approaches quickly?
- Can Army make asymmetry something that it applies to our opponents, rather than see asymmetry as primarily something that is done to us?

- How does Army set priorities between alliance, regional engagement and regional stabilisation tasks, all of which will place demands on capability developments?

I see these as the big tasks for Army in the coming decade. The race will go to those with the best capacity for flexible adaption. That will pressure Defence and Government policy making systems.

8. Industry needs to get more vocal

So finally to industry. My last policy proposition is that industry needs to get more vocal in articulating its own expectations and capacities.

I have been involved in some broad discussions with defence industry over the last few years and particularly in the White paper context most recently.

Out of that I come to the conclusion that there is a lot of unhappiness to be spread around in terms of the lack of clarity of government capability planning for Defence going back many years.

On the other hand I see a largely profitable industry sector. That's why companies invest in their presence here, because they see constant opportunities for business, a knowledgeable customer and a clean decision-making environment.

Yet it is a reality that Defence, Government and industry are failing to have the right conversation:

- There doesn't appear to be the right mechanisms to allow industry to make innovative proposals for defence.
- There doesn't seem to be a genuinely felt view that defence and industry reflect a real partnership where the contributions of both groups is respected.
- There is no real support for the view that priorities for industry are clear or real; or that industry programs are correctly targeted.

I suggest these are the areas where industry needs to get more vocal in expressing a view about what it wants to get from Government and from Defence.

I'd like to end on a hopefully slightly more positive note to say that there is an opportunity in the new defence white paper to redesign the conversation Government, defence and industry has on these matters.

I would encourage you all to think about penning a one page submission to the Defence External Expert Panel of which I am the chair. These can be sent in via the defence web site, or by handing them direct to Panel members.