

# *Australia's future over next 100 years: opportunities and challenges*

A paper based on a presentation to the Institute via Zoom on 23 October 2020 by

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*This paper describes how Senator Molan sees Australia's future unfolding over the next century, including likely opportunities and challenges ahead. While Australia is now the world's 14<sup>th</sup> most economically powerful nation, it has only been able to focus on its economic development because, heretofore, it has not had to provide for its own defence. With United States' power diminishing and China's power increasing, Australia's historic grand strategy is becoming unsustainable both militarily and economically. To craft a way forward for the next century, Australia needs develop a national security strategy and should do so urgently.*

**Key words:** Australia; 21<sup>st</sup> century outlook; national security; future opportunities; future challenges; Islamic extremism; United States; Russia; China; North Korea; Iran.

In 1901, 119 years ago, Australia emerged from its colonial past as a unified nation-state. Using gross domestic product (GDP) as a measure of economic power, the Australian economy is now the 14<sup>th</sup> most powerful economy globally – the United States is ranked first, well ahead of China ranked second. In Asia and the western Pacific, we are ranked sixth, behind China, Japan, India, Russia and South Korea (Table 1). On this basis, we have the potential to grow to become a major power within the Indo-Pacific region over the next century, although Indonesia is close behind us and may eclipse us in the near future.

Two factors, in particular, have been responsible for Australia's remarkable economic achievement over the past century, despite our relatively small population. The first factor has been the development of our primary and secondary export markets, both globally and within our region, enabled and enhanced more recently by our geographic proximity to, and the economic growth of, our neighbours in East, Southeast and South Asia. The second factor has been the security of our region, especially of our maritime lines of communication (maritime trade routes), made possible by the unchallenged dominance of the United States since World War II and, since the end of the Cold War in 1990, as the world's only superpower.

Indeed, the protection afforded us by the United States over the last 75 years has enabled Australia to focus on its economic development and to maintain only token military forces for its defence – we have been spared the high cost of a defence strategy based on self-reliance. We have not needed to prepare for, or engage in, wars of necessity, except arguably in East Timor and the Solomon Islands. Rather, we have been able to maintain small defence forces which we have deployed on wars of choice, mostly at long distances

**Table 1:** Top 20 national economies ranked by gross domestic product (GDP) in 2019  
[Source: World Bank 2020]

<b>GDP ranking</b>	<b>Nation</b>	<b>U.S. Dollars (millions)</b>
1	United States	21,427,700
2	China	14,342,903
3	Japan	5,081,770
4	Germany	3,845,630
5	India	2,875,142
6	United Kingdom	2,827,113
7	France	2,715,518
8	Italy	2,001,244
9	Brazil	1,839,758
10	Canada	1,736,426
11	Russian Federation	1,699,877
12	Korea, Republic of	1,643,383
13	Spain	1,394,116
14	Australia	1,392,681
15	Mexico	1,258,287
16	Indonesia	1,119,191
17	Netherlands	909,070
18	Saudi Arabia	792,967
19	Turkey	754,412
20	Switzerland	703,082

from Australia, in support of our superpower protector who has borne most of the cost, both human and economic.

Over the last 20 years, in particular, we have seen a significant diminution of the United States' military and economic power and the rise of strong challengers, particularly China. This is a real challenge for Australia because China is also our largest trading partner and export market – in 2019, our exports accounted for 38 per cent of the value of exports to China (Cranston 2019). Hence, the strategy of reliance on 'great and

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powerful friends' for our security while we concentrate on building our economy, a strategy that has brought us to this enviable point over the past 120 years, no longer will be sustainable over the century ahead.

In this paper, I will touch on some of the national security challenges that we are likely to face and suggest some opportunities we may be able to exploit over the next 100 years.

### **The Diminution of United States Power**

The communist nations in Asia have seen the United States as no longer invincible since the Chinese intervention in the Korean War led to a stalemate and then a truce in 1953. This perception was reinforced by the victory of the North Vietnamese over the South Vietnamese and their American allies in 1975. These perceptions have been exacerbated this century by the failure of the United States to achieve its stated nation-building goals in Iraq and Afghanistan after some two decades of warfare against Islamic insurgencies. It is now clear that the American people no longer support their post-World War II role as the 'global policeman' – the cost in national treasure, both human and financial, has become too great and can no longer be sustained either politically or economically.

The problem can be summarised in the guidance for the military: in the 1980s the United States military had to be able to win two major wars and one small one simultaneously. Now, it is to defeat aggression by a major power; deter opportunistic aggression elsewhere; and disrupt imminent terrorist and weapons of mass destruction threats (US Department of Defense 2018: 6). This change is reflected in their forces and budgets.

Today, we find that the number of active duty troops in United States Armed Forces have decreased by over 35 per cent since 1990 (Macrotrends 2020).

The United States Navy has experienced a reduction in fleet units (ships) of some 50 per cent since the late 1980s (Thomas-Noone 2020). While the newer ships acquired may be more capable than their predecessors, a ship can only be in one place at a time. If ships deployed to the North Atlantic are suddenly required to reinforce the 7<sup>th</sup> Fleet in the Western Pacific, there may not be time to redeploy them.

Similarly, the United States Air Force is struggling to cope with a combination of budget constraints and arguably unfortunate policy decisions. It has ceased producing the world's best air-superiority aircraft, the F-22 Raptor, and is now reliant essentially on a single multi-role aircraft, the F-35 Lightning II Joint Strike Fighter, for air superiority (tactical fighter), strategic strike, maritime strike and ground attack. While maintaining a single combat aircraft has cost and logistic advantages, there are concerns about the F-35's ability to perform all of the necessary air combat roles, especially when compared to true fifth-generation aircraft. Further, the Air Force is understrength by some 2100 pilots (U.S. Department of the Air Force 2020).

The United States Army is faring little better. Its principal combat unit is no longer the multi-brigade division with its integrated supporting combat arms and logistic support units. The division has been replaced in this role by brigade combat teams (essentially the equivalent of an Australian brigade group), which have the flexibility to be deployed either concentrated in larger formations or dispersed to operate alone. The United States Army establishment provides for 50 of these brigade combat teams, but, two years ago, only two were operational – although this position may have improved recently and there may now be as many as 20 brigade combat teams which are deemed operational. The Army's budget (in today's dollars) had declined to around \$149 billion per year by the time of the Obama presidency, although it has increased a little under the Trump presidency to \$179 billion per year (U.S. Army Financial Management and Comptroller 2020).

### **The Rise of Challengers to United States Supremacy**

In short, the United States is no longer willing or able to maintain its global military commitments and there are numerous players who, sensing this weakness, are keen to exploit it for their own ends. They include Islamic extremists and nation-states who wish to push the boundaries of American tolerance, without engaging in full-scale war with the United States. They include Russia, China, North Korea and Iran.

#### **Islamic Extremism**

We have seen Islamic extremism in operation over the last 20 years in the United States – the attacks on New York and Washington on 11 September 2001 – and subsequently in insurgencies in Afghanistan, Iraq, North Africa, the Middle East, South Asia and Mindanao (Philippines), and in atrocities committed by terrorist individuals and cells, some inspired by extremist values and propaganda propagated via social media, across Europe, southern Thailand, Indonesia and even in Australia, among other places.

While such individual and collective actions are of continuing concern, they certainly do not pose an existential threat to Australia and would not do so unless the extremists acquired nuclear weapons. Other players, nation-states who have or who may soon acquire nuclear weapons, are potentially less benign.

#### **Russia**

The Russian Federation is a nuclear power which has effectively become an autocracy under the leadership of President Putin. It is smarting from the loss of its former (Soviet) empire and is incensed by the expansion of the North Atlantic Treaty Organisation to its western borders. It is countering this by rebuilding its armed forces, which are now described as "better equipped (than their Soviet predecessors), with professional personnel increasingly prevalent" (IISS 2019), and its air force is on the way back with a fifth-

generation fighter, the Sukhoi Su-57, soon to come into service (Gady 2020).

Of equal, if not greater, importance, it is pioneering the development of 'grey-zone' tactics, designed to push the boundaries of United States' tolerance short of provoking war. Such tactics include cyber warfare against all levels of society, social media-based disinformation campaigns, election meddling, economic coercion and the ambiguous (unattributable/deniable) use of unconventional, and even conventional, forces. It has had notable successes in deploying such tactics in disrupting elections in the United States, Europe and elsewhere; and in seizing territory in the Crimea, eastern Ukraine and Transcaucasia.

### **China**

The People's Republic of China, also a nuclear power, is clearly on the rise as its economic status as the nation ranking second after the United States in gross domestic product (Table 1) attests.

China's annual military spend is now some 75 per cent of that of the United States (Robertson 2019). China is reforming and rebuilding its military (Gill 2020; Gill *et al.* 2020). The Peoples' Liberation Army (PLA), according to the latest Chinese data, has been slimmed down to some 2.5-3.0 million personnel in total. The PLA Army, the ground forces component, is being re-focused from domestic security to expeditionary warfare; and the PLA Navy has been ordered to focus on projection of power up to and beyond the second island chain into the Pacific and Indian Oceans. China is using its Belt-and-Road Initiative to secure bases, especially in the Indian Ocean and to a lesser extent in the Pacific, to facilitate this power projection. The PLA Air Force is also modernising and introduced a fifth-generation fighter aircraft, the Chengdu J-27, into service in 2017 (Seidel 2017). These PLA reforms are to be completed by 2035, with a view to achieving a 'world-class military' by the centenary of the PLA in 2049.

China also is following Russia's lead by developing and employing grey-zone tactics in an attempt to bully countries which displease it into conforming to China's will. Australia has not been immune, facing trade bans, cyber warfare, influence activities in politics and academia, and the like. Other countries bordering the South China Sea and even as far away as South America have experienced the unlawful intrusion of Chinese 'fishing' fleets into their exclusive economic zones, among other activities of dubious validity.

### **North Korea**

North Korea (The Democratic Peoples' Republic of Korea) is now accepted to be a nuclear power and its intercontinental missiles may now have the range to deliver nuclear warheads to attack United States' cities. If so, they could also attack Australia.

President Trump's attempts to negotiate an accommodation with President Kim Jong-un so far have been

unproductive. While North Korea would only be expected to use its nuclear capability defensively on the 'mutually assured destruction principle' (knowing that the United States would wipe out North Korea if it were to launch a first-strike on the United States), its nuclear weapons capability poses a serious threat to its neighbours and virtually rules out any possibility of a conventional attack on North Korea.

### **Iran**

Iran also aspires to become a nuclear power. Attempts by the United Nations Security Council to negotiate an agreement with Iran to avoid this have been undermined by the Trump administration, which wishes to link constraints on Iran's sponsoring of Shia Islamist forces in the Middle East to any nuclear deal. So far, despite the re-introduction of United States trade sanctions on Iran, no progress has been made on the substantive issues and Iran may have resumed its nuclear weapons development.

A particular issue for Australia is Iran's importance as an oil producer, as it holds around 12 per cent of proven oil reserves (OPEC 2020). While Australia has joined with other countries in deploying warships to maintain freedom of navigation through the Strait of Hormuz, it is unwilling to support the United States otherwise on the Iran issue. Indeed, it supports the United Nations' nuclear agreement with Iran. This is but one example of the national interests of the United States and Australia differing.

## **Australia's Outlook and Response**

### **Opportunities and Challenges**

Once the bushfires, floods and coronavirus pandemic of 2020 are behind us, Australia should be poised for a market-driven period of great prosperity for the foreseeable future. This prosperity should be a great platform for the next century of our national development.

Such a rosy outlook, however, is dependent on us maintaining robust export markets. Currently, China takes more than one-third of our exports (Cranston 2019), so our export markets are very vulnerable to Chinese trade policies and to PLA Navy interference in our maritime lines of communication (maritime trade routes).

Further, the diminution of American power poses a threat to the ANZUS Treaty<sup>2</sup> and the capacity of the United States to honour it should it be engaged in another theatre, just as Great Britain was in 1941 when Japan launched the War in the Pacific. This suggests that, to realise the dream enunciated herein, Australia needs to develop a much greater degree of self-reliance than it has before, particularly to meet the scenario of a

<sup>2</sup>Australia, New Zealand, United States Security Treaty signed in 1951 to protect the security of the Pacific.

major Indo-Pacific War. A greater degree of self-reliance will be expensive, but it cannot be avoided.

Indeed, Australia has not been prepared for any of the conflicts in which it has become involved over the last 120 years. Except for the two world wars, these have been wars of choice – not of necessity. Since World War II, Australia has developed a very small, but highly professional, defence force, augmented by volunteers in Korea and conscripts in Vietnam, which has proved brilliant at fighting wars of choice. This tiny defence force, though, will not be suitable for our needs in the rest of this century.

### ***The Need for a National Security Strategy***

This raises the issue of what type and size of defence force we need. It is not a question easily answered. Ideally, we would develop a sustainable, bipartisan agreement in the Commonwealth Parliament to threshold matters such as:

- the types of threat we, and our neighbourhood and wider region, realistically may face over the planning period which should be at least 50 years;
- to what extent we could expect to work with old and new allies to assist us meet those threats and under what circumstances we might need to address them unaided;
- what moral and legal responsibilities we have and would be prepared to accept for the security of our neighbours, especially those who lack our military and economic capacity; and
- where is our preference geographically for defending Australia e.g. would we prefer a 'forward defence' posture with Australia viewed as the main support area or logistics base (and would our neighbours allow it), or would we prefer (or have to accept) a 'continental defence' posture with Australia as the 'vital ground' and with defence assets deployed as far forward into maritime south-east Asia and the western Pacific as practicable.

Once threshold matters such as these had been agreed, and following consultation with the Australian community and allies and stakeholders in the Indo-Pacific region, Defence could prepare options for government as the basis for a new defence white paper and a defence strategic plan.

I believe the first step, however, should be the preparation of a much broader national security strategy, within which the defence strategy would be nested. The overarching national security strategy should be informed by relevant foreign affairs considerations and embrace border security, transnational crime, international and domestic terrorism, national emergency and disaster management (cyclones, severe storms, floods, bushfires), climate change (as the energiser and enhancer of weather systems which cause natural disasters), and similar issues, as well as defence. I have been advocating such an approach among my par-

liamentary colleagues since I entered the Senate. While I have gained traction in some quarters, I have met with scepticism in others.

### **Conclusion**

While Australia has grown since World War II to become the world's 14<sup>th</sup> most economically powerful nation, it has only been able to focus on its economic development because, up until now, it has not had to provide for its own defence. With the increasing competition between China and the United States, both regionally and globally, Australia's historic stance is becoming strategically unsustainable both economically and militarily. A new grand strategy is needed which defines the nation's international role, covering all levers of national power (economic, social, political and military) and which aligns means with ends to achieve the nation's goals in peace and war. To craft a way forward for the next century though, Australia needs first to develop a national security strategy within which a new defence strategy could be nested. It should do so as a matter of urgency.

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## OPINION

(Continued from page 3)

So, before blaming China for trade difficulties, our own exporters had better be sure we have assiduously kept our side of the bargain. Also, our trade difficulties may be eased somewhat now that the Regional Comprehensive Economic Partnership, a trade pact among 15 Asian countries including Australia and China, has been signed.

Further, the experts are *naïve* if they believe that being 'nice' to China is the way forward. Diplomatic bluster aside, confronting China is the only sane response when its policies or activities impinge on how we genuinely believe things should operate bilaterally and internationally. If we do not do this, then the Communist Party of China would be entitled to rearrange things to its own liking and then to advise us that the rules have changed. In the 1930s, not confronting the aggressor was called 'appeasement', and we know to what that led.

We have a collaborative relationship with China already; it is not in good shape currently, but it struggles on – to our mutual benefit. I think we have steadily but firmly drawn *our* line in the sand and that has just been reinforced by the Australia-Japan Reciprocal Access Agreement, a military pact which will deepen our defence collaboration with Japan.

The Communist Party of China knows what rules we will be abiding by, and that is no bad thing. The Chinese are not mindless ideologues. Their whole history is a roiling mass of rivalry, leading to calamity, followed by reaching an accommodation with the other side – for a while at least. Hopefully, we can come to an

accommodation with China ere long.

Ian Pfennigwerth<sup>1</sup>

## LETTER

### Training Army Officers in Tactics

In his concise background briefing in the last issue on training army officers in tactics (*United Service* **71** (3), 17 – 21 (September 2020), Brigadier David Leece drew on the excellent British Army training manual *Training for War* (His Majesty's Stationery Office: London, 1950).

For those readers seeking a more contemporary training manual on strategic and tactical thinking, I recommend the recently published United States Army manual by Nathan K. Finney (editor), *On Strategy: A Primer* (United States Army Combat Studies Institute Press: Fort Leavenworth, Kansas, 2020), which may be accessed at <https://www.armypress.army.mil/>.

Written in three parts, it covers the basics of strategy, the role of the strategist and advanced strategic concepts. At 250 pages, it is substantive (although many pages are notes/references), but the various chapters are stand-alone to an extent, and some could be the initial focus of study, *i.e.* Chapters 6, 7, 9, 12, 16, 18 and 19. The manual is recommended particularly for officers of any service who are preparing to take up a strategic policy or general/operational staff appointment.

Ian Wolfe

Neutral Bay, 25 August 2020

<sup>1</sup>Dr Ian Pfennigwerth is a member of the *United Service* Editorial Advisory Committee. Formerly, when a captain in the Royal Australian Navy, he served as Australia's Defence Attaché in Beijing. These are his personal views.

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