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‘The ostrich sticks its head in the sand and thinks itself safe’: Australia’s need for a grand strategy

David Feeney



Strategic & Defence
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The Centre of Gravity series

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About the author



David Ian Feeney was born in Adelaide, South Australia, and attended Mercedes College there before moving to Melbourne in 1987. David studied at the University of Melbourne and later completed a Masters' Degree in Public Policy and Management (MPPM) at Monash University.

David worked as a Federal Industrial Officer in the National Office of the Transport Workers Union (TWU) from 1994 to 1999. In 1999 David was elected State Secretary and Campaign Director for the Australian Labor Party (Victorian Branch). At the 2002 Victorian elections the ALP won 20 seats, holding 62 seats in the parliament of 88—the largest majority in Victorian history. In 2002 David took on the role of Director of Strategy in the Premier's Private Office. Throughout 1999-2005 David worked closely with Premier the Hon Steve Bracks MLA and the Victorian Labor Government in Victoria.

In 2005, David returned to South Australia to serve as Campaign Director for SA Labor at the March 2006 state election. Feeney helped SA Labor win six seats previously held by the opposition Liberal Party, securing the largest ALP victory in the history of the State of South Australia. The re-elected Labor Premier, Mike Rann, referred to him in his victory speech as “my Eisenhower.” During the 2007 Federal election David served as Labor's Assistant National Secretary and Deputy National Campaign Director.

On 1 July 2008 David Feeney commenced his term as a Senator for Victoria.

Feeney was appointed as Parliamentary Secretary for Defence on 14 September 2010 in the first ministry of Prime Minister Julia Gillard, and he was reappointed to this role in the second Gillard ministry. He maintained this position in the reshuffle when Rudd regained the Prime Ministership in June 2013.

As Parliamentary Secretary for Defence, David's responsibilities included ADF Reserves, ADF force structure (especially Plan BEERSHEBA in the Army), the Pacific Maritime Security Plan (PMSP) and liaison with Pacific Island Countries, participating in the first meeting of South Pacific Defence Ministers Meeting (SPDMM) in Tonga. Feeney also commissioned the Department of Defence workforce review, Plan Suakin, in 2010.

Feeney commissioned the report into Unresolved Recognition for Past Acts of Naval and Military Gallantry and Valour, and was responsible for the Australian Government's Defence Honours and Awards Appeals Tribunal.

David Feeney was elected to the House of Representatives as the Member for Batman in 2013. Opposition Leader Bill Shorten appointed Feeney as Shadow Minister for Justice and Shadow Assistant Minister for Defence. After 1 July 2014 the portfolio of Veterans Affairs and Centenary of ANZAC were added to his responsibilities.

In 2016 David was re-elected as the Member for Batman. David was not re-appointed as a Shadow Minister. As an MP, Feeney was a regular commentator on strategic and defence matters, a regular contributor to ADM magazine, and served as Deputy Chair of the Defence Sub-Committee of the Joint Standing Committee of Foreign Affairs, Defence and Trade (JSCDFAT).

Throughout his Parliamentary career, David was a keen supporter of the ADF Parliamentary Program. As both Parliamentary Secretary for Defence and later as a Shadow Minister and MP, David travelled extensively to visit ADF operations and exercises in Afghanistan, the Persian Gulf, PNG, and throughout the South Pacific.

David was a contributing author in Peter J Dean, Stephan Fruhling and Brendan Taylor (eds.), *Australia's American Alliance* (Melbourne University Publishing, Carlton) and in Tom Frame (ed.), *The Long Road. Australia's Train, Advise and Assist Missions* (UNSW Press, Sydney).

On 1 February 2018 David Feeney resigned from the House of Representatives.

In October David became a Senior Fellow of the Australian Strategic Policy Institute (ASPI).

David is married to Liberty Sanger, Principal Lawyer and Board member at Maurice Blackburn Lawyers, and they are parents to Ned.

'The ostrich sticks its head in the sand and thinks itself safe': Australia's need for a grand strategy

David Feeney

Executive Summary

- ✦ Time is not Australia's friend. We face a deteriorating strategic environment, relative economic decline and a wayward principal ally.
- ✦ Australia will need a grand strategy to identify the key priorities and create the discipline and organisation needed to address these many challenges.
- ✦ Australian leadership and involvement in the South Pacific should be at the forefront of these efforts.

Policy Recommendation

- ✦ Australia needs a grand strategy which will consider the actions we can take, as a status quo medium power, to support the Rules Based Global Order and secure Australia's economic, strategic and diplomatic national interests.

Introduction

Australia is entering the most challenging security environment since the end of World War II. While 'protecting the Rules Based Global Order' were central features of the Defence White Paper 2016 (DWP2016) and Foreign Policy White Paper 2017, strategists and defence planners already believe that the old order is gone, and the world is transitioning into a new, and more dangerous era.

The new Morrison Coalition Government, facing a difficult election in mid-2019 and confronting the challenge of minority status in the Parliament, is unlikely to change any of Australia's existing foreign policy and defence settings.

But time is not Australia's friend. We are in relative decline. Twenty-five years ago the Australian economy was the same size as China's, bigger than India's and bigger than all of the ASEAN nations combined. Today, China's economy is five times bigger than ours. The pace of change means Australia needs to make important, hard choices concerning its future now.

This will be the daunting reality that will confront a Shorten Labor Government, should the Australian Labor Party win the next Federal election. The Prime Minister, together with Penny Wong in Foreign Affairs and Richard Marles in Defence, will largely shoulder the task of navigating Australia forward in the world with a clear-eyed vision of our national interests and the actions required to secure them.

To achieve security in this era, this paper identifies the need for an Australian Grand Strategy. One which will consider and coordinate the actions we can take, as a status quo medium power, to support the RBGO and secure Australia's economic, strategic and diplomatic national interests.



**Time is not
Australia's friend.**

Australia's deteriorating international security outlook

The term 'rules-based global order' is repeated 56 times throughout the DWP2016.¹ The identification of the 'RBGO' as an Australian 'Strategic Interest' is one of the defining characteristics of the DWP2016.

The term 'RBGO' appears to have come into vogue amongst Australian policy makers just as the post-1945 global order came to an end. Allan Gyngell recently declared: 'In 2018, the order we have known for the past seventy years has ended. Its not being challenged. Its not changing. It's over'.² The strategic assessment found in DWP2016 is now outdated. This reflects the rapid deterioration in Australia's international security outlook since November 2016.

This deterioration is acknowledged by the United States. Its new National Defence Strategy asserts that interstate competition and conflict, rather than terrorism, is now the primary concern for US national security. Secretary of Defense Jim Mattis identifies China and Russia as the principal drivers of global disorder. Beijing and Moscow are aligned in their opposition to the norms and rules of international behaviour that they believe were invented to serve US interests.

China has expanded its political, economic and military strength, and is now in a strong position to bring pressure to bear on the countries in its region, such as Japan and South Korea, the Philippines and Indo-China, as well as Sri Lanka, Pakistan and Taiwan. China aims to be the natural hegemon of Asia and to see an end to the US alliance system in the region. The continuing modernisation and expansion of China's military forces means that its capability to conduct operations at high levels of intensity, sophistication and reach have increased, and will continue to do so.

China has built the equivalent of the entire French Navy in the past four years.

It is speculated that China's defence expenditure will match that of the United States by 2035. China's focus on developing a large ocean-going surface fleet indicates its growing ambitions. China has built the equivalent of the entire French Navy in the past four years. Whereas China's effective annexation of the South China Sea might be seen as an extension of its A2/AD strategy aimed at preventing the US and its allies from operating close to China's coastline, its construction of aircraft carriers is indicative of larger, global power-projection ambitions.



China is asserting its power into Australia's strategic space, not only in the South China Sea and Southeast Asia, but also in the South Pacific. The risk now is that China's successful annexation of the South China Sea will serve as a precedent in other disputes, such as the India-China border, the East China Sea and Taiwan.³

The relationship between the United States and China has now deteriorated to the point where American historian Walter Russell Mead described it as 'Cold War II'.⁴ Vice-President Mike Pence made a significant policy statement 4 October 2018, denouncing China's 'whole of government approach to its rivalry with the US'.⁵

The Trump administration has signalled its resolve to challenge China with an integrated, cross-government strategy to counter what it regards as Chinese military, economic, political and ideological aggression. There is a growing view that Trump doesn't want to win a trade war with China.⁶ Instead, Washington appears to be beginning the process of disentangling the Chinese and American economies. A recent Pentagon report to President Trump explored the means by which the United States could reverse the erosion of its 'manufacturing and industrial defense base' so as 'to be ready for the 'fight tonight' and to retool for great power competition'.⁷

These are challenging times. From Australia's vantage point, the United States is undermining confidence in the West's traditional security system and its network of alliances.

Since Donald Trump's election in November 2016 the United States has withdrawn from the Iran nuclear deal, the Trans-Pacific Partnership and the Paris climate change accords. In June 2018, Trump declared to leaders at the G7 meeting in Canada; 'They threw Russia out. They should let Russia come back in.' Russia had been suspended (from the G8) following its annexation of the Crimea.⁸ In the shadow of a threatened trade war with Canada and Europe, Trump departed the G7 early to meet with North Korean dictator Kim Jong-Un in Singapore. Trump has threatened the unity of NATO, causing German Chancellor Angela Merkel to observe that Europe can no longer 'fully count' on America.⁹

Trump's announcement on 20 October that the United States would unilaterally withdraw from the 1987 Intermediate-range Nuclear Forces treaty (INF) is far more about China than Russia. China, never bound by the INF, has been free to develop an enormous arsenal of land-based medium and long-range ballistic missile systems that threaten the US position in the Western Pacific, as well as Japan and Taiwan. Now Trump's America is free to build land-based missile systems to bolster its posture in Asia, and it may be looking for Japan, South Korea, Guam and Australia to host them. Cold War II.

In the United States and much of Europe ultranationalist populism is leading to more inward-looking and protectionist policies. Trump's 'America First' presidency is the exemplar of this phenomena. Trump rejects notions of American exceptionalism, the idea of a higher calling for the United States in international affairs based on human rights and universal values.

By undermining the liberal international order Trump is posing a direct threat to the system of global governance established by the United States in the aftermath of the World War II, and he is hastening the decline of the United States as a global power. While the implications of the relative decline of US 'hard power' in the 21st century has been thoroughly analysed in recent times, what was unforeseen has been the rapid decline in US prestige and leadership abroad - 'soft power' - since the election of President Trump.¹⁰

We are now in the unprecedented situation where Trump's America, Xi's China and Putin's Russia are all revisionist powers, challenging the existing RBGO.



There is a growing view that Trump doesn't want to win a trade war with China.

Australia's China Reset?

Worsening relations between the world's two biggest economies will not only complicate world affairs, including the denuclearisation of North Korea, but also mean that it will become much harder for Australia to 'balance' American and Chinese interests.

The past four decades has seen Australia benefit from China's remarkable economic growth, boosting our trade and lifting our living standards. It has been a key driver for Australia's 27 years of uninterrupted economic growth. In this period, Australia has succeeded in building a constructive relationship with China, while remaining faithful to the Australian strategic alliance with the United States.

However, as Peter Varghese observed, 'For Australia the strategic rub with China reaching for strategic predominance is the character of its political system.'¹¹ Australian commentators and media have become globally renowned for exposing China systematically silencing critics in Australia and running sophisticated influence operations here that target Australian elites, limit academic freedom and mobilise parts of the Chinese diaspora to support Chinese intelligence agencies and protest Australian government policy.¹²

Former Prime Minister Malcolm Turnbull and Foreign Minister Julie Bishop responded to changing Australian sentiment, moving to resist Chinese efforts to build influence in Australia (and the South Pacific). Arguably, their enthusiasm for this course was redoubled by the opportunity to embarrass Labor's Senator Sam Dastyari (who resigned from the Senate in January 2018).

In June 2018 the Australian Parliament approved wide-ranging laws targeting foreign interference in politics and other domestic affairs, as well as counter-espionage. Also that month, Turnbull moved to deploy Australian aid so as to oust Chinese company Huawei from its plan to build an undersea high speed internet link connecting the Solomon Islands with the Australian mainland; in August Huawei was excluded from participating in Australia's 5G mobile network.¹³ Australian policy makers were concerned that Huawei is obligated under Chinese law to assist authorities with state intelligence work. This decision led to China's Global Times declaring that 'Canberra stabs Huawei in the back',¹⁴ Undeterred, Turnbull briefed President Trump on the decision to exclude Huawei, who was reportedly impressed: 'You're ahead of us on this'.¹⁵

Early indications are that new Prime Minister Morrison is inclined to take a less forceful stance. The significance of Pence's speech on 4 October was plainly lost on Morrison. That very day Morrison gave a speech to an Australian-Chinese community event where he declared 'we are committed – absolutely committed – to a long-term constructive partnership with China based on shared values, especially mutual respect... progressing our mutual and complementary interests'.¹⁶ Just two days before, when commenting on the near collision of a US and Chinese warship in the South China Sea, Prime Minister Morrison said Australia will play the role of 'cool heads engaging with everybody in a very calm way'.¹⁷ Morrison is stuck defending a status quo that no longer exists.

Given the domestic political challenges confronting Prime Minister Morrison, and the fact that a Federal election may be only months away, it seems the new Government is keen to lower the temperature in Australia-China relations.

Australia and a 'Concert of Powers'

Australia needs to confront the possibility that the 'America First' approach of our most important ally is not an anomaly that will be gone in two years, and that US alliances may now fall into mistrustful neglect. While the Australian-US alliance continues to receive strong bipartisan support in Australia, there is widespread concern about the unpredictability, values and interests of the Trump administration.

Xi's China intends to become the predominant power in Asia. We may not welcome the rise of China and its capitalist-authoritarian model, but nonetheless the world order is changing. We are now in a state of strategic transition, and the assumptions that have guided Australian strategy for the past seventy years no longer apply.



The 'America First' approach is not an anomaly that will be gone in two years.

Today, higher levels of military capability in our region – particularly China’s – mean that warning times for serious contingencies are now much shorter. The East China Sea, the Taiwan straits, the South China Sea and the Korean peninsula are all now flashpoints that are capable of erupting into catastrophic violence comparatively suddenly.

There are other anxieties that properly preoccupy our defence planners too; the impacts of the rise of India and its ‘Look East’ policy; the rise of Indonesia and concern about extremist Islam in the political mainstream there¹⁸; the regional proliferation of sophisticated military technologies such as ballistic missiles and submarines; international terrorism and the return of ISIS foreign fighters to their homes in Australia and several Southeast Asian nations; and non-traditional security threats such as cyber security, intensifying climate change impacts and disease pandemics.

Australia cannot afford to believe that continued US dominance is indispensable for a RBGO. The RBGO has many stakeholders beyond the US invested in global institutions, rules and norms. The decline of both American leadership and power will mean that the success of a RBGO in the Asia-Pacific will increasingly rely on regional states – Australia, Japan, India, Singapore, Indonesia, Vietnam – being able to find common ground to negotiate through the shifting balance of power politics.¹⁹

Gideon Rachman of the Financial Times has suggested precisely this:

‘It is time for an informal alliance of middle-sized powers that are interested in supporting a global rules-based order. Individually, these nations cannot ensure the survival of the World Trade Organization, or sustain international human-rights law or global environmental standards. But, collectively, they have a chance of working together to preserve a world based around rules and rights, rather than power and force.’²⁰

Rachman’s idea is not new. Hugh White discussed a possible ‘Concert of Asia’ to negotiate Asia’s new power balance in his prescient article *Power Shift* in 2010.²¹ The fact that such an idea has many attractions for Australia today (unlike in 2010) speaks volumes about our deteriorating strategic environment.

An Australian Grand Strategy

Australia has traditionally not had a grand strategy, instead relying on our Defence White Papers to articulate a military strategy that is effectively subordinate that of the United States. However, we can no longer afford for Australian grand strategy to simply be ‘nested’ in the grand strategy of our principal ally.

There is talk in defence circles of the need for a new Defence White Paper. Instead, the demands of our times require that Australia develop a grand strategy of its own. Grand strategy is an exercise in integration, ‘able to evaluate all facets and strands of influence and vulnerability and combine these into a comprehensive picture of national priorities, opportunities and risks’.²²

An Australian Grand Strategy must consider the actions we can take, as a status quo medium power, to support the RBGO and secure Australia’s economic, strategic and diplomatic national interests. The assertive rise of China together with a faltering United States means that an already complex and challenging security environment in the Indo-Pacific is becoming more so.

Issues for an Australian Grand Strategy include

1. Despite deep-seated anxiety that the United States is no longer the ally we’ve hoped and expected it to be, ANZUS will remain crucial to Australia’s interests. Australia must strive for the United States to play a constructive role in the new Asian order, and that US strategic engagement does not continue to falter. Further, the alliance means Australia has access to American advanced defence technology, intelligence and science to ensure the ADF retains a military advantage in our own region. Australia will continue to benefit from the ‘joint facilities’ we host, US-led military exercises we participate in, and US military rotations to Australia.



The demands of our times require that Australia develop a grand strategy of its own.

2. What meaningful steps can Australia make to defend the RBGO? Who will be Australia's reliable partners in that effort? How can we strengthen international, multilateral architecture both globally and in the Indo-Pacific? Australia must focus more on our region of primary strategic concern. Here, regional forums, such as the Pacific Islands Forum (PIF), need Australian focus and attention. Australia must consider expanding the footprint of Australian embassies and missions, and making a renewed commitment to Australian aid so as to constructively develop and shape our own region.
3. Australia must undertake a fundamental assessment of our relationship with China to decide where its limits should lie. Australia needs to identify what aspects of Chinese strategic conduct we find unacceptable, and be prepared to signal to China where such conduct will be resisted. What price is Australia prepared to pay in resisting China's ambition? The dependence of the Australian economy upon trade with China has become a strategic vulnerability. We need to consciously diversify our trade, investment, tourism and international student businesses with other countries, with particular regard for India, Japan, South Korea, Vietnam and Indonesia—as well as Europe.
4. Australia must contemplate a future where the RBGO and status quo cannot be preserved. What kind of new order in Asia can realistically be achieved and sustained so as to secure Australian interests. Australia must have a clear-eyed sense of what is our own regional 'sphere of influence' and how together with our allies we can secure it – in terms of defence and security, trade, economic development, human rights and values. To borrow a phrase from Joanne Wallis, how might our 'arc of instability' instead become our 'arc of opportunity'.²³
5. The current ambivalence and ambiguity inherent in the DWP2016 specifying that all three Strategic Defence Objectives are 'equally weighted' (3.10) needs reconsideration. In particular, PNG and the South Pacific require new focus and fresh initiatives to secure Australian leadership in this region.
6. What are the strategic, operational and tactical requirements of the ADF concerning the possible contingencies it may need to confront? We must have a strategy-led force design. Force 2030 and the force structure of the ADF will require further review. The planned modernisation of the ADF means that Australia's armed forces will be significantly more capable than that of 30 years ago. However, they won't be much larger; the 'core force' will contain roughly the same number of combat aircraft, frigates and destroyers. A major regional crisis would require a larger 'core force'. New requirements as diverse as cyber, space, ballistic missile defence, and strengthened anti-submarine warfare (ASW) and mine warfare (MIW) capabilities need consideration.



7. Reduced warning times for major crises mean fresh assessment of ADF preparedness is warranted. Australia must have the capacity to sustain high intensity operations for weeks or even months. This may require a higher level of ADF readiness, with particular regard to surveillance capabilities, intelligence, cyber operators and combat pilots, and submariners. Australia will need greater stocks of munitions, as peacetime training levels are no longer adequate.
8. Of the 28 nations belonging to the International Energy Agency, Australia is the only one failing to meet its 90-day net oil stockholding obligation. By 2030 it is projected that Australia will have no refinery. In the event of a crisis that interrupted fuel imports, we would exhaust fuel stocks within 22 days. By 2030, it will be less than 20 days. Fuel is not currently managed as a capability and there is no overall strategic approach. That must change. Australia's vulnerability to any interrupted fuel supply is of course wider than defence. Without fuel, our access to health services, our food production and distribution systems, and our transportation systems would all quickly cease to function.²⁴
9. A new posture review would provide considered guidance for Australia's defence infrastructure and logistics (especially fuel and ordnance) requirements. Enhanced naval bases and RAAF bases in northern Australia, including the 'bare bases' is a likely need. Australia must also now consider whether some of these facilities need to be hardened against the threat of ballistic missiles. The Cocos island facilities need to be improved to accommodate enhanced surveillance capabilities. Is there a case for additional bases or 'joint facilities' in our near region, such as police training or navy facilities in PNG, an enhanced regional surveillance centre in the Solomon Islands, and so forth.
10. What measures should Australia take to secure the status quo and the continued demilitarised status of Antarctica? The Australian Antarctic Territory (AAT) is 42% of the continent of Antarctica. In order to consolidate the AAT, the 20-year strategic plan for Antarctica, launched in October 2014, may require renewed impetus to fund critical infrastructure and research programs to place Australia securely at the leading edge of Antarctic science and innovation.²⁵

Fuel is not currently managed as a capability and there is no overall strategic approach. That must change.



11. The DWP2013 promoted the notion of self-reliance, asserting that the highest priority for the ADF was to deter and defeat adversaries 'without having to rely on the combat support forces of another country' (3.35). Australia needs to conduct a strategic review of our defence industry, to ensure it is aligned to our national grand strategy, measure how it contributes to our sovereign capability and self-reliance, and to foster that local industrial capacity that is deemed crucial to supporting ADF operations. The continuous shipbuilding plan and Future Submarine project are of the greatest national importance. The success of defence industry policy will rest on a skilled and available workforce, access to intellectual property and design information, sustainable workflow, access to capital and national infrastructure.

A special priority: The South Pacific

Australia's geography dictates that the South Pacific is vital to Australia's defence. Australia's enduring concern is that a potentially hostile power could establish a military base in the region from which to challenge our control of Australia's air and sea approaches or even project force against us. The 1986 *Review of Australia's Defence Capabilities* stated that the South Pacific will always be the 'area from or through which a military threat to Australia could most easily be posed'.²⁶

The Defence White Paper 2016 implicitly downgraded the unique importance of the South Pacific in our strategic geography.

The DWP2016 nominates a 'secure nearer region, encompassing maritime South East Asia and the South Pacific' as a 'Strategic Defence Interest'. Elevating other regions to the same level of strategic import, grouping its analysis of the South Pacific with South East Asia, and overlooking the intensifying challenges Australia faces there, all created a sense that DWP2016 had implicitly downgraded the unique importance of the South Pacific in our strategic geography.²⁷

Great powers seek to influence world affairs; medium powers seek to influence their regions. Any Australian grand strategy must prioritise the South Pacific. For this task, any incoming Labor Government in c. 2019 is well prepared.

Labor's Shadow Minister for Defence, the Hon Richard Marles MP, is well known throughout the South Pacific for his life-long interest in the region. Richard has travelled extensively throughout the region (being the first Australian MP to visit Wallis and Futuna) and he has served as Parliamentary Secretary for Pacific Islands Affairs

(2010-2013). A lifetime of travel and engagement, both formal and informal, means that Richard has an extensive network of contacts throughout the South Pacific. This background will be of enormous value in future Australian endeavours in the South Pacific.

On 3 May 2018 Richard Marles observed 'Australia does not place the importance upon the Pacific that it deserves. Our lack of leadership in the Pacific is one of the biggest gaps in Australia's national security policy.' Marles makes the point that Australia's leadership in the Pacific is at the heart of Australia's relationship to the wider world. 'The Pacific is the one opportunity in the context of the [US] alliance where Australia is able to demonstrate how we lead, so that it can provide a mutuality in our alliance relationship with America'. In essence, the global community, and most particularly the United States and our other allies, look to Australia to provide leadership in our own immediate region. This expectation represents a proper appreciation of Australian diplomatic, military and economic power and influence.²⁸

Recent concerns about a possible strategic partnership between China and Vanuatu²⁹ have brought into sharp focus the need for Australia to earn its place as the natural defence and security partner of choice for the Pacific Island Countries (PICs). There is concern that as the population (18 million by 2050) and economy of Papua New Guinea (PNG) grow, it will be less susceptible to Australian influence. The 'Look North' policy of Voreqe Bainimarama, events such as the donation of Russian military arms and equipment to Fiji in January 2016³⁰, and the sub-regional 'Melanesian Spearhead Group' (which excludes Australia and New Zealand) have all challenged Australian influence and its objective of being the defence partner of choice for PICs.

Labor well understands the success of the Pacific patrol boats program and the AFP-supported Pacific Transnational Crime Network (PTCN). These provide valuable foundations for the \$2-billion Defence-led Pacific Maritime Security Program (PMSP), the centre piece of Australia's defence engagement in the South Pacific, aimed at strengthening regional maritime domain awareness, modernising surveillance and response networks and systems, and supporting Pacific Island Countries to counter a wide range of security threats. These include terrorism; transnational crime, smuggling and piracy; biosecurity risks; illegal exploitation of natural fishing, including illegal fishing and logging; and pollution of the maritime environment.³¹

Marles has often spoken of the deteriorating political, social and security conditions in the South Pacific. An Australian grand strategy will need to encompass not only the PMSP, PTCN and the desirability for enhanced defence and police engagement across PNG and the South Pacific, but also increased investment in Australia's foreign aid and the footprint of its diplomatic presence. The foreign aid and concessional loans flowing into the PICs from non-traditional donors, particularly China, is significant and growing.³² On occasions, this activity has plainly been used to build influence in the region. After Russia invaded Georgia in 2008 and carved out the 'republics' of Abkhazia and South Ossetia, it used foreign aid to encourage Nauru, Vanuatu and Tuvalu to formally recognise the breakaway states; these same PICs, along with Fiji and Tonga, failed to condemn the Russian annexation of Crimea in 2014; all other Pacific island nations did so.³³ The quality and value of some aid has been queried by Australian policy makers, with claims of 'useless buildings' and 'roads to nowhere', with a focus on 'duchessing' politicians in the Pacific' rather than genuine development, creating unsustainable 'white elephants'.³⁴

Kevin Rudd delivered on his Millennium Goal promise to steadily lift foreign aid, and targeted the South Pacific as an aid destination.³⁵ Rudd announced a new era of partnership with the PICs, and between 2006 and 2013 provided US\$7 billion in bilateral aid. However, the Abbott Coalition Government abandoned the bi-partisan commitment to increase aid spending to 0.5% of gross national income (GNI). Australia's aid budget has continued to shrink throughout 2013-2018, the disproportionate victim of budget savings measures.³⁶ At around 0.21% of GNI, Australia's aid budget has never been lower. Nonetheless, former Foreign Minister Julie Bishop did succeed in quarantining the Pacific from the largest cuts, and Australia remains the largest aid donor in the Pacific, contributing \$1.1 billion in 2018/19.

It is inconceivable that Australia might exert leadership in the South Pacific while its aid spend diminishes while that of China and other donors grow. The Pacific is now the slowest developing region in the world. The policy rationale for an increasing Australian aid spend is not only strategic, but also humanitarian in the context of the UN's Sustainable Development Goals, where the Pacific performed the worst of any region, and three PICs did not achieve any of the UN goals (Kiribati, PNG and Solomon Islands).

It is inconceivable that Australia might exert leadership in the South Pacific while its aid spend diminishes.



The 2 per cent target has come to be regarded as a spending floor.

Marles has advocated a decisive Australian policy approach in the South Pacific. 'In considering our actions in the Pacific often I feel there is an instinct not to act in the manner of an overbearing colonial power; to proceed on the basis of a light touch. This sentiment is well motivated, but it is wrong. And moreover it risks becoming an excuse for inaction.'³⁷ The region needs attention and Marles firmly believes that there is an appetite for Australian engagement and leadership among the PICs.

Two new policy proposals have already been advanced by Marles. First, to a more extensive and deeper Australian defence relationship with those PICs that possess armed

forces. Second, to work with PICs to explore opportunities to aggregate government service delivery across islands. Expanding this concept, already found in the provision of tertiary education (the University of the South Pacific), offers much needed impetus for the cause of integration in the Pacific. Marles' policy approach is consistent with the objective found in the *Foreign Policy White Paper 2017*: to integrate Pacific countries into the Australian and New Zealand economies and our security institutions.

At a major foreign policy address at the Lowy Institute on 29 October, Opposition Leader Bill Shorten emphasised Labor's Pacific policy of renewed engagement and attention. Accusing the Coalition of flyover neglect, Shorten promised a Labor Government would offer a bigger aid budget, a Minister for Pacific Affairs, and an Australia-led investment body to finance infrastructure in the region. Shorten insisted that his focus on the South Pacific was not about the 'strategic denial of others' but rather for 'the economic betterment of people of the Pacific Islands themselves.' If successfully implemented, Labor's policy would of course accomplish both.³⁸

Conclusion

Budgets drive capability, which in turn determines Australia's ability to operate effectively in pursuit of our national interests. The most important and immediate challenge for any incoming Labor Government is to preserve the defence budget. The DWP2016 locked in the 2 per cent target, using it as the overarching principle for a 10-year funding model to increase defence spending to \$42 billion in 2020/21.

The Gillard Government committed Labor to a 'target' of defence spending being 2 per cent of GDP in 2013. Opposition Leader Bill Shorten, together with his defence spokesmen Stephen Conroy and more recently Richard Marles, have reconfirmed this support. As recently as 29 October, Bill Shorten declared 'We are committed to maintaining defence spending at 2 per cent of GDP'.³⁹

Given Australia's deteriorating strategic environment, the 2 per cent target has come to be regarded as a spending floor rather than ceiling by defence planners.

The risk will be that in future years, if any future Labor Government finds a surplus within reach, the defence budget will come under renewed pressure. If defence spending gets squeezed to help get the budget over the line, then Labor will be repeating its mistake of 2009/10.

In this regard, the discipline of crafting an Australian grand strategy may well be a useful means for keeping a future Australian Government focussed on the fact that we need defence capability to support our participation in a world where the 'rules' are still being written, and the capacity to exercise force is more rather than less important.

Policy Recommendation

- ✦ Australia needs a grand strategy which will consider the actions we can take, as a status quo medium power, to support the Rules Based Global Order and secure Australia's economic, strategic and diplomatic national interests.

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