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AUSTRALIA AS A RISING MIDDLE POWER

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Abstract

This paper examines the key drivers shaping Australia's role as a middle power in an era of intensifying US-China strategic competition. These drivers include the influence of strategic geography; its historical legacy in international affairs; the impact of its economic relationships with states in the Indo-Pacific region; the changing demands of defence policy, including the potential offered by rapid technological change; and, the impact of climate change, resource constraints and demographic factors. The paper considers three possible scenarios that will shape Australia's middle power policy choices – a US-China strategic equilibrium; a "China crash" scenario that promotes a more nationalist and assertive Chinese foreign policy; and a third "major power conflict" scenario where competition extends into military conflict. The paper concludes that Australia cannot maintain a delicate balance between its strategic alliance with the US and trading relationship with China. It argues there is a need for Australia to adopt a deeper strategic alliance with the US while promoting closer ties with its partners in the Indo-Pacific and supporting the growth of a Free and Open Indo-Pacific region to counterbalance growing Chinese power. Australia needs to embrace an Indo-Pacific step up, and as a middle power, reduce the prospect of a Sino-centric regional order emerging.

Executive Summary

Australia is an important and influential actor across the Indo-Pacific region. As a key ally of the United States, and through establishing closer foreign and defence relationships with key actors in the region — notably, Japan, Indonesia, India, and Singapore — Australia can assume a more substantial strategic, foreign policy, and defence role.

For much of its history, Australia's "tyranny of distance" isolated it from the traditional centre of world affairs — Europe and North America. This isolation has also protected it from insecurity posed by the threat of great power conflicts and has shaped its strategic culture towards a reliance on "great and powerful friends" to ensure its defence. Additionally, since the 1980s, Australia was perceived as being blessed with the luxury of hiding behind a supposed strategic moat — the "sea-air gap" to the north and northwest. Yet in the 21st century, this approach is irrelevant on account of growing insecurity and uncertainty in the 21st century strategic outlook now prevalent across the Indo-Pacific region.

Australia's relationship with the United States remains a vital component of understanding its aspirations as a rising middle power. At the same time, Australia's future security is also inherently linked to its trading relationships with the Indo-Pacific region. The growth of Asian economies from the 1980s, together with the influx of migration from Asian states, has seen Australia define itself not just as an Oceania power but also as an Indo-Pacific actor. This can be attributed to its strong political, cultural, and economic ties to the ASEAN states, Japan, China, South Korea, and India.

The role of technology will also shape Australia's choices in foreign and defence policies, with new types of military capabilities and new operational domains. Notably, these include the growing importance of the space domain and the role of cyberspace, while ushering in a rethink on the use of conventional military power. More broadly, deepening interconnectedness of a globalised world order will lead to more opportunities for Australia to promote its interests in the region. For example, the fourth industrial revolution (4IR), robotics, and artificial intelligence (AI) are all contributing to transforming economics, trade, and globalisation. Australia should take advantage of these new technologies to expand its role in the region.

The impact of climate change, resource constraints, and change in demographics will also shape Australia's regional foreign and defence policy choices in the region in coming years. The climate change challenge is being felt directly in the aftermath of Australia's devastating 2019-2020 bushfires and the prospect that this recent event signals a more dangerous climate future. Australian policy leaders are already considering the implications of the bushfire crisis for future defence and national security policy. The climate change policy debate is taking place at a national level. It affects all aspects of Australian politics, foreign policy, defence and national security, and even economic well-being. Resource challenges brought about by prolonged drought — and the prospect of hotter, longer, and drier summers — are a serious risk for Australia's economic well-being.

At the time of writing, the world faces a new challenge in the form of the coronavirus (COVID-19) pandemic. This classic "black swan" event could severely disrupt global economic structures and supply chains and see a reversal in global economic growth like the 2008 Global Financial Crisis, or even worse. The potential of the COVID-19 pandemic to generate secondary and tertiary effects on regional instability in coming years complicates Australia's foreign policy and defence outlook. At the very least, events such as the 2019–2020 Bushfire crisis, and the COVID-19 outbreak highlight the disruptive impact of black swans on policy planning, not only for middle powers such as Australia, but for all states.

This paper attempts to provide a "net assessment" of Australia's role as a middle power in a rapidly transforming Indo-Pacific region. It seeks to explore Australia's choices and options as it expands and asserts its influence in the region, and copes with an intensifying major-power competition between its most essential strategic ally the United States, and its vital trading partner China. Although Australia has strived to maintain a careful balance between these two relationships, it is becoming harder to sustain that position. The paper argues that Australia will need to forge a closer defence and security relationship with the United States and strengthen its defence and foreign relations with key partners in the Indo-Pacific region to counterbalance and deter a rising and assertive China.

Introduction

As a rising middle power, Australia confronts a future Indo-Pacific region with greater risk as a result of intensifying strategic competition between the United States and a rising China.[1] Australia sits on the cusp of a new and more dangerous period in its history. It can potentially be a period of strategic warning akin to the 1930s.[2] Paul Dibb argues that, "We are now in a period of unpredictable strategic transition in which the comfortable assumptions of the past are over. Australia's strategic outlook has continued to deteriorate and, for the first time since World War II, we face an increased prospect of threat from high-level military capabilities being introduced into our region."[3]

[1] Jennings, Peter. "New Cold War traps Australia between our traditional rock and a global hard case." *The Weekend Australian*, August 13, 2019. www.aspi.org.au/opinion/new-cold-war-traps-australia-between-our-traditional-rock-and-global-hard-case

[2] Hastie, Andrew. "We must see China – the opportunities and the threats – with clear eyes." *The Sydney Morning Herald*, August 8, 2019, at www.smh.com.au/politics/federal/we-must-see-china-the-opportunities-and-the-threats-with-clear-eyes-20190807-p52eon.html; see also Medcalf, Rory. "In defence of Andrew Hastie." *Australian Financial Review*, August 12, 2019. https://nsc.crawford.anu.edu.au/department-news/14970/defence-andrew-hastie

[3] Dibb, Paul. "Planning to defend Australia in an era of profound strategic disruption." *The Strategist*, October 15, 2019. www.aspistrategist.org.au/planning-to-defend-australia-in-an-era-of-profound-strategic-disruption/

Australia's Defence Minister, the Hon. Linda Reynolds, clearly outlined the risks in a recent speech in London:

> As all of us working in national security are only too aware, the character of warfare is changing fast. There are more options for pursuing strategic ends just below the threshold of traditional armed conflict — what some experts like to call grey-zone tactics or hybrid warfare. What is also very clear is that countries prepared to flout the rules-based order have little hesitation in resorting to these options — and they have more authority to direct resources towards them. The longer we leave it unchecked, the bolder they become.[4]

As a middle power, how should Australia respond to this challenge? This is not just an issue for defence and national security, because Australia's foreign policy options are shaped by a broad variety of factors beyond military strength. The prospect of increasing strategic risk cuts across both hard and soft power.

Although the trajectory of US-China relations is headed towards intensifying strategic competition and a growing risk of military conflict, Australia seeks to carefully balance these two relationships, for as long as it can. Yet that balance is becoming harder to maintain. Hastie notes that, "it is impossible to forsake the United States, our closest security and investment partner. It is also impossible to disengage from China, our largest trading partner. This is the central point; almost every strategic and economic question facing Australia in the coming decades will be refracted through the geopolitical competition of the United States and China."[5]

The central strategic problem is Beijing's determination to revise the established rules-based international order, and to weaken the United States' strategic primacy within that order, in order to promote its own rise. Merriden Varrall argues that China is not comfortable with the notion of becoming a "responsible stakeholder" in the existing US led rules-based order. Such a system is inconsistent with Beijing's objectives that are shaped by its own history and strategic culture.[6]

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[4] Department of Defence, Australian Government. "Reshaping the Australia-United Kingdom Partnership in a New Strategic Environment." July 8, 2019. www.minister.defence.gov.au/minister/lreynolds/speeches/reshaping-australia-united-kingdom-partnership-new-strategic-environment

[5] Hastie, Andrew. "We must see China – the opportunities and the threats – with clear eyes." *The Sydney Morning Herald*, August 8, 2019, at www.smh.com.au/politics/federal/we-must-see-china-the-opportunities-and-the-threats-with-clear-eyes-20190807-p52eon.html

[6] Varrall, Merriden. "Does China's rise threaten the rules-based order?" *The Interpreter*, June 7, 2017. www.lowyinstitute.org/the-interpreter/does-china-rise-threaten-rules-based-order

Furthermore, in an important speech at the 19th Party Congress on 18 October 2017, Chinese President Xi Jinping stated:

> … the path, the theory, the system and the culture of socialism with Chinese characteristics have kept developing, blazing a new trail for other developing countries to achieve modernisation. It offers a new option for countries and nations who want to speed up their development while preserving their independence; and it offers Chinese wisdom and a Chinese approach to solving the problems facing mankind.[7]

This is an explicit alternative to the norms and traditions of western liberal democracy as a basis for development, and as such represents an ideological challenge to the current rules-based international order. It is somewhat akin to the ideological challenge posed by the former Union of Soviet Socialist Republics to the west during the Cold War.

China's rise and its sweeping ambitions, fuelled by an economy that might overtake the US economy (in purchasing power parity terms and nominal gross domestic product terms) by 2020, and be able to direct that funding into sustaining the People's Liberation Army's (PLA) growth marks a strategic challenge. Such scale has certainly not been seen since the Cold War, and over the long term, it emerges as something greater.[8]

Hugh White promotes the idea that rather than sustained strategic competition emerging, it is in fact, the US' power that is declining. He presupposes that Beijing has already won the contest, arguing in *How to Defend Australia*, that "…. America will be less powerful in Asia, and thus its leadership will be less effective in suppressing strategic rivalry and preventing war. China will be stronger, more able and willing to contest US power, more able to project power over long distances, and more likely to use its own power, including armed forces, to impose its will on other countries."[9] He suggests the United States will simply choose to withdraw in the face of China's rise.

This is an unconvincing argument. First, there are clear signals from Washington, notably the release of the US National Defence Strategy in 2018, and key speeches by the Trump Administration at the Hudson Institute which suggest the United States is not ready to accept strategic retrenchment from Asia, especially in the face of a clear Chinese challenge.[10]

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[7] Jinping, Xi. "Securing a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era." *Xinhua Net*, October 18, 2017. www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf

[8] International Monetary Fund. "GDP based on PPP, share of the world." Accessed April 6, 2020. www.imf.org/external/datamapper/PPPSH@WEO/OEMDC/WEOWORLD/ADVEC/CHN/USA

[9] White, Hugh. *How to Defend Australia*. La Trobe University Press, 2019, p. 36.

[10] U.S. Department of Defense. "Summary of the 2018 National Defense Strategy of the United States of America: Sharpening the American Military's Competitive Edge." Accessed April 6, 2020. https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf; Hudson Institute. "Vice President Mike Pence's Remarks on the Administration's Policy Towards China." October 4, 2018. www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018; The White House. "Remarks by Vice President Pence at the Frederic V. Malek

US foreign and defence policy towards the Indo-Pacific remains broadly consistent. The 2018 National Defence Strategy, and the US Free and Open Indo-Pacific (FOIP) strategy, together with the interest within the US policy community to sustain strong defence relationships between the US military and its partners in Japan, South Korea, and Australia, does not suggest that a US strategic retrenchment is imminent.[11] Instead, an emerging strategic competition with Beijing is seen as being a new reality that cannot be ignored. US foreign and defence policy community actors are signalling a determination to push back against Beijing's regional ambitions, and the US defence community is rapidly shifting strategic gears to respond to a growing threat of major power interstate warfare and the clear reality of a new competitive multi-polarity generated by authoritarian peer adversaries like China and Russia.

One argument can certainly be made that maybe Australia should simply "bandwagon with Beijing" and accommodate China's interests. From a purely economic sense, and a superficial analysis of the future direction of Chinese growth, it might seem attractive to acquiese a rising and assertive China, even at the expense of the established rules-based order, and all associated elements. Yet, such a policy would run counter to Australia's national values. It is highly unlikely that Australia will choose to align more closely with China, even in the unlikely scenario of the United States turning inwards. The Chinese state is adopting a path that is increasingly authoritarian and "Orwellian" in nature under President Xi Jinping. At the same time, it has ended the stance promoted by paramount ruler Deng Xiaoping of "biding our time and hiding our strength". Rather than a peaceful rise towards a harmonious world, as was the declared policy under President Hu Jintao, President Xi Jinping seems intent on asserting China's position as a dominant hegemonic power and subsequently ending the United States' strategic primacy.

Despite Australia's vital trading relationship with China, Canberra cannot ignore, and should not downplay these concerns for the sake of short-term financial gain.

The combination of these factors is a challenge to Australia's national values as a western liberal democracy and a supporter of the current rules-based order. Given that reality, it seems inconceivable that Australia will align with a rising China or embrace a "Sino-centric" world order — an act which, by definition, will force it to acquiesce to Chinese ambitions — to "bend the knee" and fundamentally change Australia as a nation.

How should Australia then respond as a middle power in shaping future foreign and defence policy? This paper looks at several factors — geography, history, economics, technology, resources, and demographics — that will shape its future choices as a middle power. There are clear linkages across Australia's geographic location and focus as an Indo-Pacific power, with its history that

Memorial lecture." October 24, 2019. www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-frederic-v-malek-memorial-lecture/

[11] U.S. Department of State. "A free and open Indo-Pacific: Advancing a Shared Vision." November 4, 2019. www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf

emphasises the importance of the US-Australia relationship above all else. Economically, Australia's future is tied to Asia, as it strengthens political, economic, trade, and defence relationships in the region, as part of promoting an FOIP strategy. In terms of technology, global connectivity is deepening Australia's ties with the Indo-Pacific region and opening new opportunities for export. Meanwhile, defence and security debates will focus more on how Australia can project power and influence to deter and counterbalance a rising China. In terms of resources and demographics, Australian markets lie within the Indo-Pacific, and Australia's changing demographics further promote closer ties with the region.

Of key importance in a more contested strategic outlook is the requirement to sustain and expand the essential relationship with Washington, while building new networks with the "spokes" in the US led "hubs and spokes" security arrangements across the Indo-Pacific region. Australia must strengthen regional security relationships in part to counterbalance (not contain) an ambitious and assertive China, and in part to strengthen regional "pull." It must also do so in a manner that assists those in the US policy community pushing for continuing or strengthening United States' forward presence and influence. This can be achieved through enhanced relationships with key Asian allies, by promoting an FOIP strategy, strengthening established regional security architectures, and supporting the growth of new arrangements such as a restored "quad" between Australia, United States, India, and Japan.

Forces Shaping Australia's Strategic and Foreign Policy in the 21st Century

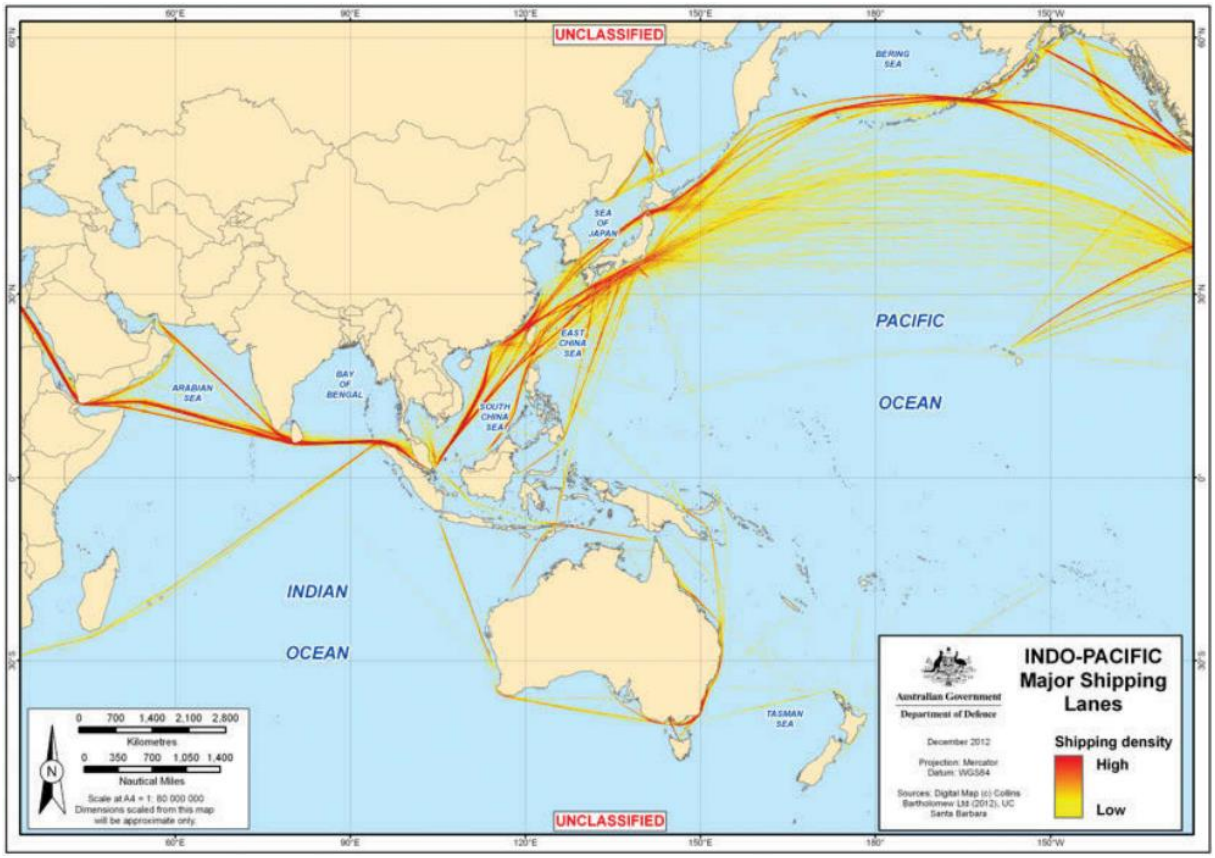
With the prospect of a more challenging and uncertain strategic outlook ahead, how do key interlocking factors — namely geography, history, economy, technology, and new security issues such as climate change, resource security, and demographics — influence Australia's choices as a middle power, particularly as they relate to defence policy? To what extent might these six broad areas constrain, or enable, Australia's defence and foreign policy choices?

Geography, geopolitics, and geostrategy

Australia's strategic focus has primarily been directed north, towards maritime Southeast Asia, and in the east towards the Southwest Pacific. With the emergence of the Indo-Pacific concept, it has increasingly also focused west into the Indian Ocean. The 2017 Foreign Policy White Paper was the key policy document embracing the Indo-Pacific concept and defined it as "… ranging from the eastern Indian Ocean to the Pacific Ocean connected by Southeast Asia, including India, North Asia, and the

United States."[12] Even so, the geographical constraints of the Indo-Pacific region remains undefined in precise terms.

Australia's interests across this vast region are in addition to key maritime interests in the Southern Ocean and across its Australian Antarctic Territory, not to mention ensuring the security of the Australian mainland and its vital offshore interests and resources, including economic exclusion zones. Furthermore, Australia's maritime interests extend beyond this vast region to include security arrangements for maritime commerce, and in particular, the flow of energy resources along sea-lanes of communication, as shown in the map below.



Source: DGIO [13]

Traditional geographic perceptions are now being part of a more complex multi-domain security environment. In addition to the traditional domains of air, sea, and land, there is need for the addition of new domains such as cyberspace and space — through which state and non-state actors can apply influence and generate effects. Australia seeks to exploit these traditional and new domains to the advantage of its growth, security, and prosperity.

[12] Department of Foreign Affairs and Trade, Australian Government. "Opportunity, Security, Strength: The 2017 Foreign Policy White Paper." November 23, 2017, p. 1. www.dfat.gov.au/news/news/Pages/opportunity-security-strength-the-2017-foreign-policy-white-paper

[13] White, Harry. "Indo-Pacific shipping lanes DGIO." *The Strategist*, July 16, 2013. www.aspistrategist.org.au/indo-pacific-shipping-lanes-dgio/

In the 20th century, Australia's geography has suggested disadvantages bestowed by a "tyranny of distance" that promotes its isolation from key political and economic developments in Europe and North America. At the same time, the lack of proximity reinforced the advantage of "a splendid isolation" with Australia being susceptible to low levels of a direct military threat. Geographies do not change, but politics and economics are dynamic and in the 21st century, Australia is now very much in the front-line of an emerging strategic rivalry between China and the United States. This will be the key factor shaping its foreign and defence policies in coming years, and perhaps even decades. It is no longer isolated in a strategic backwater because the centre of global economic, political, and strategic activity has moved from Europe and North America into the Indo-Pacific region. In that sense, geography now plays a far more significant role in shaping Australian foreign and defence policy than ever before.

If the centre of the world in economic terms is the Indo-Pacific, Australia's principle effort must be focused on building opportunities and relationships within this region, with an emphasis on maritime Southeast Asia. The days of splendid isolation are long gone, and Australia's geography is inextricably linked to its political, economic, and security interests, all of which are interconnected with Asia's future regional development and its security.

Australia's first geographic challenge is its own economy and prosperity, and by extension, its diplomatic influence and national security are tied to ensuring a stable, secure, and prosperous Indo-Pacific region. The 2017 Foreign Policy White Paper states, "We set out our vision for a neighbourhood in which adherence to rules delivers lasting peace, where the rights of all states are respected, and where open markets facilitate free flow of trade, capital, and ideas."[14]

The 2017 White Paper clearly places the US-Australia alliance at the centre of Australia's approach to ensuring a stable Indo-Pacific order. For Australia to shape the region in a manner that is consistent with its needs as a middle power with critical interests in the region, and to burden share with the United States, it needs to ensure its diplomatic, trade, and defence focus is well beyond its northern shores. This will be a new step, particularly in shaping defence policy that has traditionally emphasised the primacy of the notional "sea-air gap" as a form of strategic moat defending Australian territory. Instead of banking on a sea-air gap that is increasingly vulnerable to rising military capabilities, northern Australia must become a strategic hub for Australia's security and the emphasis should be on projecting power and presence in a responsive manner, in cooperation with key regional partners.[15]

[14] Department of Foreign Affairs and Trade, Australian Government. "Opportunity, Security, Strength: The 2017 Foreign Policy White Paper." November 23, 2017, p. 4. www.dfat.gov.au/news/news/Pages/opportunity-security-strength-the-2017-foreign-policy-white-paper

[15] Coyne, John, Paul Barnes, Malcolm Davis, et al. "North of 26 degrees south and the security of Australia: views from The Strategist." *Strategic Insights* 142 (2019). www.aspi.org.au/report/north-26-degrees-south-and-security-australia-views-strategist

In defence terms, Australia must shift strategy towards a "Forward Defence in Depth" stance, with the Australian Defence Force (ADF) playing a more visible role, alongside both the United States and its other partners in the Indo-Pacific on a more substantive and regular basis.[16] Australia's defence diplomacy and foreign policy endeavours must match a forward defence focus by strengthening relationships with essential partners in the Indo-Pacific — Japan, Indonesia, India, and Singapore.

There should be a greater focus on Australia's north, both for Australia's defence, and as a springboard for engagement with the Indo-Pacific region. The city of Darwin, for instance, is closer to Jakarta, Kuala Lumpur, and Singapore than it is to Canberra. Geographical proximity matched with visible presence is of significance. An Australian defence presence, and a foreign policy community that is largely out of sight is less able to respond effectively to defence emergencies, or natural disasters than one based around Darwin as an Indo-Pacific security hub.[17] Michael Shoebridge notes that through re-emphasising a northern-based defence, and reversing the withdrawal of ADF units from Australia's north, Australia can more easily engage with its partners in ASEAN.[18] This will be important also in responding to the dynamics and potential shocks implicit in the emerging US-China strategic competition, and allow Australia to build closer defence diplomatic relationships with its neighbours. This will be important if Australia is to emphasise a forward defence in-depth strategy rather than continuing with the more traditional defence mechanism in place.

A renewed focus on northern Australia, and with greater investment in logistics and infrastructure such as roads, ports, and airports, can also help grow local economies and boost trade with Indo-Pacific states. In terms of high technology sectors, investment by ASEAN states into northern Australia can serve as an added boost. For example, the establishment of an Australian commercial space sector from 2017 onwards, under the guidance of the Australian Space Agency is increasingly focused on South Australia (the location of the Space Agency's headquarters), but the Northern Territory represents a key location for space launches given its proximity to the equator.[19] Investment by the Australian government and Indo-Pacific states into a northern Australian "space coast" will add to efforts already underway by Australian companies to use the location for lower-cost space access, which will benefit all participants. That will, in turn, generate growth in secondary and tertiary industries for both Australian and foreign commercial actors and reinforce the importance of a northern shift for Australian foreign and defence policy.

[16] Davis, Malcolm. "Forward Defence in Depth for Australia." *Strategic Insights* 139 (2019). www.aspi.org.au/report/forward-defence-depth-australia

[17] Jennings, Peter. "Northern Australia's value not lost on friends and rivals." *The Strategist,* January 20, 2020. www.aspistrategist.org.au/northern-australias-value-not-lost-on-friends-and-rivals/

[18] Shoebridge, Michael. "It's time to renew Australia's north as a source of strategy advantage." *The Strategist*, February 7, 2019. www.aspistrategist.org.au/its-time-to-renew-australias-north-as-a-source-of-strategic-advantage/

[19] Davis, Malcolm. "Northern launch site could transform Australia's role in space." *The Strategist*, December 20, 2019. www.aspistrategist.org.au/northern-launch-site-could-transform-australias-role-in-space/

The opportunity suggested by new approaches to manufacturing — such as the 4IR also opens up the potential for Australia strengthening a northward focus into the Indo-Pacific from northern Australia.[20] The 4IR concept comprises a suite of technologies (to be considered in more depth later in this paper) that are less dependent on proximity to urban areas because most activity related to design and development occurs virtually within cyberspace. 4IR technologies also emphasise automation in manufacturing, including 3D printing. This allows the possibility of manufacturing being located close to its point of use, or closer to prospective markets, while the design and development of products can occur anywhere. In this context, 4IR's geographical reach from an Australian perspective, in which it is focused on strengthening an FOIP region — through trade investments and economic relationships — can mean greater concentration in the north. This will open new and rapid trade routes into the region.

Two other areas need to emerge as priorities. The first is the Southwest Pacific, and the Morrison government's efforts in the so-called "Pacific Step-Up", originally announced at the Pacific Island Forum in September 2016. These initiatives are already underway in an effort to build Australian engagement that responds to the region's priorities.[21] Australia has a key interest in ensuring the sovereignty, security, stability, and prosperity of the southwest Pacific states, assisting them to respond to the growing challenges posed by climate change, and preventing major powers such as China from expanding their presence and influence through debt-trap diplomacy' that occurs at the expense of the wellbeing of Pacific Island states and ultimately harms Australia's interests in the long term.[22]

Greater weight needs to be placed on the Pacific Step-Up if it is to be successful.[23] In particular, Australia needs to emphasise building trust and relationships, because it is poorly placed to compete with China in purely economic terms. Australia should develop greater incentives in terms of ensuring long-term benefits in security and development and emphasise that its assistance is independent of small Pacific states acquiescing to China's strategic interests. Central to Australia's efforts is the promotion of an FOIP and its associated benefits while highlighting how this concept differs from China's Belt and Road Initiative that has significant geopolitical strings attached.

However, that means Australia needs to directly assist small Pacific states in addressing their most urgent needs, including greater flexibility by the Australian government on transnational new security issues such as dealing with climate change, demographic challenges, development, and

[20] Marr, Bernard. "The 4th Industrial Revolution." *Forbes*, August 13, 2018. www.forbes.com/sites/bernardmarr/2018/08/13/the-4th-industrial-revolution-is-here-are-you-ready/#73eeb038628b; see also Department of Industry, Science, Energy and Resources, Australian Government. "Industry 4.0." Accessed April 6, 2020. www.industry.gov.au/funding-and-incentives/industry-40

[21] Wyeth, Grant. "Australia's Pacific Step-Up: More than just Talk." *The Diplomat*, February 8, 2019. https://thediplomat.com/2019/02/australias-pacific-step-up-more-than-just-talk/; see also Department of Foreign Affairs and Trade, Australian Government. "Stepping-up Australia's engagement with our Pacific family." Accessed April 6, 2020. https://dfat.gov.au/geo/pacific/engagement/Pages/stepping-up-australias-pacific-engagement.aspx

[22] Bergin, Anthony. "Joint Plan to thwart China's port storm." *The Australian*, June 29, 2019. www.theaustralian.com.au/nation/world/joint-plan-to-thwart-chinas-port-storm/news-story/762dc071fa9862b59bc7de56c8623c70

[23] Dobell, Graeme. "Six Inquiries on Australia's South Pacific Step-Up." *The Strategist*, March 16, 2020. www.aspistrategist.org.au/six-inquiries-on-australias-south-pacific-step-up/

resource security. It must also be leveraged with greater cooperation with Pacific states on the aforementioned areas, assistance with useful capabilities such as the Pacific patrol boat program, and closer integration with the ADF.[24]

Second, the Indian Ocean is now seen as important for Australia, as part of the Indo-Pacific construct, and Australia's engagement with India is central in this regard. The restoration of the Quad (Quadrilateral Security Dialogue between the United States, India, Japan, and Australia) from November 2017 is a key step forward. But there is real uncertainty as to just how far the Quad will go in shaping the strategic environment in the Indo-Pacific region. From Australia's perspective, the Quad is certainly not the beginning of an Asian NATO equivalent, and it is more likely to be a diplomatic development that strengthens India's engagement with other partners, and potentially opens new opportunities for closer defence cooperation. The Quad's defence focus must be laid on freedom of navigation, maritime enforcement and low-level security threats such as maritime piracy and terrorism, rather than necessarily serving as a counterbalance to China alone. However, as the Quad-China relationship evolves, it can potentially take on new roles.[25]

From a defence perspective, an in-depth forward defence strategy means the ADF must maintain a sustained forward presence across the Indo-Pacific region, and greater effort through defence diplomacy is needed to strengthen vital defence relationships. The issue of forward basing must be prioritised. Australia has already signed an agreement with Papua New Guinea to re-establish a naval base at Manus Island, along with the United States.[26] The Manus base, and potentially the establishment of access for the Royal Australian Air Force (RAAF) to Momote airfield on the island is an important test case for any future efforts by the Australian government to open up new forward bases as a means to ensure security with key regional partners.

In summary, as an Indo-Pacific middle power, Australia's geographical focus has to transition northwards, as does its strategic gaze. Valuable diplomatic progress has been made with the reborn Quad dialogue, that sees Australia engage more directly in the Indian Ocean. The South Pacific Step Up' is a welcome development towards boosting Australia's diplomatic, trade, and financial aid assistance to South Pacific states. The centrepiece of Australia's approach to the Indo-Pacific region must entail higher engagement from the north into maritime Southeast Asia, and beyond, towards closer defence relations with Japan.

[24] Bergin, Anthony. "Pacific Islanders Boots would help defence Step Up." *The Australian*, September 3, 2019. www.theaustralian.com.au/commentary/pacific-islanders-boots-would-help-defence-step-up/news-story/24d6ecd8d8619a832500d2a6cd38c9b8

[25] Curran, James. "All shot and no powder in the Quadrilateral Security Dialogue." *East Asia Forum*, January 28, 2018. www.eastasiaforum.org/2018/01/28/all-shot-and-no-powder-in-the-quadrilateral-security-dialogue/

[26] Davis, Malcolm. "Going Forward to Manus." *The Strategist,* September 21, 2018. www.aspistrategist.org.au/going-forward-to-manus/

Australia must also continue to work towards closer foreign policy and defence relations with Indonesia. Both the 2016 Defence White Paper and the 2017 Foreign Policy White Paper emphasise the importance of building a strong, productive relationship with Indonesia. Continued efforts in this regard can generate benefits across the Indian Ocean and maritime Southeast Asia and strengthen Indonesian-Australian maritime security cooperation. This will help counter maritime terrorism, piracy, and criminal activity on the high seas such as human trafficking and narcotics smuggling. A closer defence relationship, building on an increasing emphasis on Australia's north as a key operational hub will allow it to work with Indonesia on humanitarian assistance and disaster relief in the region, and support peacekeeping where necessary.

Historical and economic factors

Historically, the factors driving Australian foreign and defence policy have always revolved around strengthening ties with powerful allies. This was done to ensure the nation's security against overwhelming threats and based around Australia's colonial ties to the United Kingdom. That relationship was ruptured by the United Kingdom's failure to defend Singapore against Japanese forces in 1942. The latter years of the Second World War witnessed closer cooperation between the US, Australian, and New Zealand forces, and it is the United States that has continued to be the vital ally. This was formally established in the 1952 Australia, New Zealand, and United States Security Treaty (ANZUS), which is the basis for contemporary US-Australia defence cooperation.

ANZUS provides the cornerstone of Australia's alliance with the United States. Article III of the treaty prominently requires each party to consult "whenever in the opinion of any of them the territorial integrity, political independence, or security of any of the Parties is threatened in the Pacific".[27] Article IV goes on to state that an armed attack in the Pacific area on any of the Parties (to the Treaty) would be "dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes".[28]

If ANZUS set the foundation for the US-Australian defence relationship, the Nixon Administration's Guam Doctrine of 1969 reinforces the limits of that relationship.[29] There has never been a perception within Australian policy circles that the United States will automatically come to Australia's assistance in the event of a military crisis. One traditional theme of Australian defence policy

[27] Parliament of Australia. "Australia's Defence Relations with the United States: Appendix B – the ANZUS Treaty." Accessed April 6, 2020. www.aph.gov.au/Parliamentary_Business/Committees/Joint/Completed_Inquiries/jfadt/usrelations/appendixb

[28] Parliament of Australia. "Australia's Defence Relations with the United States: Appendix B, Article IV – the ANZUS Treaty." Accessed April 6, 2020. www.aph.gov.au/Parliamentary_Business/Committees/Joint/Completed_Inquiries/jfadt/usrelations/appendixb

[29] White, Hugh. "A very unreassuring bombshell: Richard Nixon and the Guam Doctrine, July 1969." *The Strategist*, July 25, 2019. www.aspistrategist.org.au/a-very-unreassuring-bombshell-richard-nixon-and-the-guam-doctrine-july-1969/

- certainly since the 1987 Defence White Paper - is building a suitable degree of self-reliance. The 2009 White Paper highlights the importance of defence self-reliance, stating,

> Defence self-reliance means that Australia would only expect the United States to come to our aid in circumstances where we were under threat from a major power whose military capabilities were simply beyond our capacity to resist. Short of that situation, the United States would reasonably expect us to attend to our own direct security needs, and in any event, we should not expect anything less of ourselves.[30]

This theme continues today, though it is not explicitly so stated, and the 2016 Defence White Paper avoided the use of the words "self-reliance" altogether. There is broad consensus that higher independence for Australia in its defence and national security, will acquire increased importance in the future, though real limits of self-reliance remain. For example, Australia relies on the United States for critical operational capabilities that are beyond Australia's means including extended nuclear deterrence. This facet of the US-Australia relationship remains particularly crucial. The 2009 Defence White Paper highlighted the importance of extended nuclear deterrence in context to the US-Australia alliance stating,

> It also means that, for so long as nuclear weapons exist, we are able to rely on the nuclear forces of the United States to deter a nuclear attack on Australia. Australian defence policy under successive governments has acknowledged the value to Australia of the protection afforded by extended nuclear deterrence under the United States alliance. That protection provides a stable and reliable sense of assurance and has over the years removed the need for Australia to consider more significant and expensive defence options.[31]

The 2016 Defence White Paper reinforced the importance of ANZUS, and the US extended nuclear deterrence and noted that "Australia's security is underpinned by the ANZUS Treaty, United States extended deterrence and access to advanced United States technology and information …. Access to the most advanced technology and equipment from the United States and maintaining interoperability with the United States is central to maintaining the ADF's potency."[32] It then goes on to highlight the importance of the "five eyes" intelligence sharing community, and the joint defence facility called Pine Gap.

In addition to ANZUS, Australia continues to build ties with its ASEAN neighbours, including Singapore and Indonesia, through comprehensive strategic partnerships with both states. Australia is also a participant along with Singapore and Malaysia (including New Zealand and the United Kingdom)

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[30] Department of Defence, Australian Government. "Defending Australia in the Asia-Pacific Century: Force 2030." 2009, 6.32. https://www.defence.gov.au/whitepaper/2009/docs/defence_white_paper_2009.pdf
[31] Ibid 6.34
[32] Department of Defence, Australian Government. "2016 Defence White Paper." 2016, 5.20–5.21. https://www.defence.gov.au/Whitepaper/Docs/2016-Defence-White-Paper.pdf

in the Five Powers Defence Agreement. The Singapore-Australia Comprehensive Strategic Partnership was signed on 29 June 2015.[33] It includes measures to strengthen defence cooperation and dialogue, and enhanced intelligence sharing. It will also allow Singapore to utilise training areas in Australia, in addition to economic measures to update the 2003 Singapore-Australia Free Trade Agreement. Furthermore, it will create opportunities for enhanced science and technology collaboration between both countries.[34]

Australia's relations with its Southeast Asian neighbours have developed more rapidly since the end of the Cold War in 1991, particularly as new regional security and economic architecture emerged. The nation's relationship with ASEAN extends to 1974, and twenty years later in 1994, the ASEAN Regional Forum (ARF) was established comprising 27 members, including Australia as a founding dialogue partner. Australia has been an active participant in the ARF since its founding and it is currently co-chair (along with Vietnam and the European Union) of the ARF's Maritime Security work stream. Other activities have included cooperative efforts on preventing and countering terrorism and violent extremism, and promoting the Women, Peace, and Security agenda at the ARF.[35]

On a broader East Asian and Indo-Pacific scale, Australia is also a participant of the East Asia Summit, and has participated as a founding member from 14 December 2005.[36] Finally, Australia was a founding member of the Asia-Pacific Economic Cooperation (APEC) in 1989, to boost trade liberalisation and economic integration, while working towards an Asia-Pacific free-trade area. In the future, Australia will play a key role in the Regional Comprehensive Economic Partnership (RCEP) Agreement that will aim to deliver free trade across 16 nations in the Indo-Pacific region.[37] The RCEP region is huge, generating a total regional GDP of US$26.3 trillion comprising a population of 3.6 billion people and the prospect of A$522.1 billion in trade volumes with Australia.

What has emerged in the 21st century is a strong intersection between domestic economic interests along with defence and national security interests within Asia — particularly the challenge of balancing Australia's essential defence and strategic relationship with the United States — alongside a vital economic and trading relationship with China.

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[33] Department of Foreign Affairs and Trade, Australian Government. "Joint announcement: Australia-Singapore Comprehensive Strategic Partnership." May 6, 2016. https://dfat.gov.au/geo/singapore/Pages/joint-announcement-australia-singapore-comprehensive-strategic-partnership.aspx

[34] Parameswaran, Prashanth. "Singapore, Australia Deepen Comprehensive Strategic Partnership with New Deal." *The Diplomat*, May 10, 2016. https://thediplomat.com/2016/05/singapore-australia-deepen-comprehensive-strategic-partnership-with-new-deal/

[35] Department of Foreign Affairs and Trade, Australian Government. "ASEAN Regional Forum (ARF)." Accessed April 6, 2020. https://dfat.gov.au/international-relations/regional-architecture/Pages/asean-regional-forum-arf.aspx

[36] Department of Foreign Affairs and Trade, Australian Government. "East Asia Summit (EAS)." Accessed April 6, 2020. https://dfat.gov.au/international-relations/regional-architecture/eas/Pages/east-asia-summit-eas.aspx

[37] Department of Foreign Affairs and Trade, Australian Government. "Regional Comprehensive Economic Partnership." Accessed April 6, 2020. https://dfat.gov.au/trade/agreements/negotiations/rcep/Pages/regional-comprehensive-economic-partnership.aspx

This paper strongly argues the case for strengthening the US-Australia alliance. Australia's security is strongly linked with the continuation of US strategic primacy in the Indo-Pacific. Australia's defence capabilities are based heavily on access to US military technology, and access to high level US intelligence that few other states receive. An added advantage is the provision of US extended nuclear deterrence to prevent existential threats from major nuclear powers.

Yet, many commentators will argue that with China's rapid rise in economic, political, and military terms, coupled with a perceived decline of US global power, it is perhaps time for a new regional order, led by Beijing which Australia should realign towards.

Such a future carries real risks. First, China is not a western liberal democracy. It is an authoritarian state, which has fundamentally different values in comparison to Australia. China's goals in terms of revising the rules-based international order present a direct challenge to Australia's security. It's Orwellian internal security policies — including mass internment of Uighurs in Xinjiang province, the imposition of mass surveillance and social credit, and the oppression of freedom of speech — shouldn't be ignored in a desire for Chinese investment. Human rights are foremost.

Second, Australia's current over-dependency on Chinese investment and trade generates internal political and security risks. This is on account of vulnerabilities exposed for Beijing to potentially exploit through attempts to influence and control key sectors of the nation's economy. For example, the issue of China's desire for Huawei to provide crucial 5G networks makes it possible for China to access sensitive information and telecommunications networks should such access be permitted. Furthermore, there is also the possibility of controlling Australia's vital information and telecommunications infrastructure in a manner that could be inimical to national interest. The same concerns are also valid in context to Chinese investment in, or the possibility of commercial influence and control over other critical infrastructure, such as ports, airports, and electricity grids. It is this concern that has prompted Australia's government in recent years to resist Chinese investment into critical information and national infrastructure. This was particularly so in the case of 5G, where Huawei's attempts to bid for a national network have been stalled. Australia's dependence on Chinese trade and investment, while generating economic benefits does pose risks. Increasingly, economics cannot be separated from defence and national security.

John Lee makes a convincing argument that:

> … in addition to directly challenging America strategically and undermining the American role in upholding the international rules-based order that's been cobbled together since the end of World War II, the Chinese Communist Party has also used an arsenal of policies inconsistent with free and fair trade … to build Beijing's manufacturing base, at the expense of competitors — especially America.

This includes tariffs, quotas, currency manipulation, forced technology transfer, intellectual property theft, and industrial subsidies — the extent of which has been well documented — occurring at a scale unmatched by any post war economy. These actions constitute a violation of World Trade Organisation treaties, among others … to "turn ploughshares into swords on a massive scale".[38]

Australia's economic security — apparently tied to China's continued prosperity — thus comes at a price, in that China's intention is to challenge US strategic primacy and this ultimately erodes Australia's defence and strategic interests. Australia cannot have both economic wellbeing in the long term within a Chinese-led regional order, and defence assurance without US primacy. Seeking to balance on the tip of a strategic dilemma is unsustainable in the long term, and ultimately a choice must be made. The question that emerges for Australia is when will this choice be forced upon policymakers, and which path will be chosen?

As a middle power, Australia should diversify its trading relationships, and rely less on China. Rather, it must seek other potential customers for Australian commodities. This would include less reliance on Chinese students and tourism at the expense of other potential partners. This is not a call for a total decoupling of Australia's economy from China's, but instead highlights a more sensible approach that would see Australia exploiting its middle power status. This will promote the growth of new economic and trading relationships, reducing China's leverage over Australia. Meanwhile, efforts must also be directed towards strengthening the US-Australia alliance as well as building closer foreign and defence partnerships with other key powers, notably Japan and Indonesia.

The role of Japan and the future of Australian-Japanese relations against the backdrop of rising US-Chinese tensions — and uncertainty over the future of the United States' regional commitment — is going to become ever more important for Australia. The relationship between Australia and Japan must be strengthened and broadened in forthcoming years, through closer cooperation in defence and national security matters, and more broadly through foreign policy as part of an FOIP region.

The 2017 Foreign Policy White Paper notes that Japan is a "special strategic partner" for Australia, "with which we share values and interests, including through our alliances with the United States."[39] As a fellow democracy, Australia must encourage Japan to continue pursuing reforms towards updating its defence and strategic policies. It must be executed in a manner that improves Japan's security capabilities and allows it to play a more active role in regional security. The white paper notes that Australia-Japan defence engagements have grown rapidly, with a focus on maritime security and research and development.

[38] Lee, John. "The end of Chimerica – The passing of the global economic consensus and the rise of US-China strategic technological competition." *Strategic Insights* 136 (2019): 2. www.aspi.org.au/report/end-chimerica-passing-global-economic-consensus-and-rise-us-china-strategic-technological

[39] Department of Foreign Affairs and Trade, Australian Government. "Opportunity, Security, Strength: The 2017 Foreign Policy White Paper." November 23, 2017, p. 41. www.dfat.gov.au/news/news/Pages/opportunity-security-strength-the-2017-foreign-policy-white-paper

Certainly, Australia and Japan can and should work towards ever closer defence and security relationships. There are many opportunities across the breadth of each country's defence and national security interests to achieve this. However, building closer economic and trade relationships will buttress the progress on defence cooperation. The establishment of closer Australia-Japan economic relationships can be built on increased trade and through the Japan-Australia Economic Partnership Agreement of 2015. It can be bolstered with new opportunities such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the RCEP, which can become key avenues to strengthen ties.

With respect to Indonesia, Australia must recognise that in coming decades, the rapid growth of Indonesia's economy and its huge population will give it the opportunity to become, at the very least, a regional power that could wield an influence sphere comparable to Japan and South Korea. Australia already emphasises a need to deepen its relationship with Indonesia, which could be further augmented by stronger defence collaborations. Indonesia is a huge market for Australian export, and it is also a vital partner in terms of shaping regional security, and political and economic order. As a middle power, Australia should work hard to sustain and enhance its relationship with Indonesia across all fronts, including through closer defence cooperation.

For much of its history, Australia has sought security from Asia. Between the post-cold war period and the Australia's immediate outlook in the 21st century, Australia seeks security within Asia — and specifically, seeks to build an FOIP future. Its defence and foreign policy should still give primacy to the US-Australia alliance, but at the same time, Australia is strengthening existing relationships with Asian partners and building new relationships. These seek to expand and secure liberalised trade, grow economic integration of markets, and enhance cooperation in areas of mutual interest, such as maritime security cooperation and counterterrorism. In the future it is likely these areas of cooperation will expand, as both Australia and ASEAN take on a more proactive role to deal with new security issues such as climate change, resource competition, and demographic challenges such as mass migration. As was clear in the analysis on geography, Australia must primarily look north towards Asia within the FOIP for strengthening vital relationships; perhaps most importantly, with Japan.

The challenge will be to manage its dealings with Asian partners and balance against more traditional "hard security" factors driven by an increasingly assertive China and the likelihood for intensifying US-Chinese competition. At some point, hard choices must be made. The strategic geography alluded to earlier, and the historical drivers of Australia's foreign and defence policies all point to a future where Australia's defence policy must be more forward oriented and postured. It must also be more proactive alongside partners in the region, both to maintain the established rules-based order including regional security and economic architectures, and to meet defence challenges as far away from the Australian mainland as possible.

Australia's future defence challenges – the role of technology

A key theme of Australia's defence policy debate since 2016 has been how to respond to a more challenging and contested strategic outlook, which is now characterised by intensifying strategic competition between a rising China and the United States. Efforts towards building a FOIP, which John Lee and Lavina Lee argue, seeks to " … reaffirm the security and economic rules-based order which has existed since after the Second World War — especially as it relates to freedom of the regional and global commons such as sea, air and cyberspace, and of the way nations conduct their economic affairs" and lies at the heart of Australia's middle power strategy.[40] Defence policy, defence capability development, and the evolving ADF force structure — underpinned by the exploitation of advanced technological capability — are a vital element of that broader effort at the foreign policy level.

Australia's defence policy as laid out in the 2016 Defence White Paper recognises growing Chinese military capability, notably its expanding naval capability within the PLA Navy. Yet since the release of the white paper, it is clear that Chinese military modernisation has advanced more rapidly than anticipated.[41] Accordingly, Australia's defence is currently engaged in an internal review of the strategic underpinnings of the 2016 White Paper, the findings of which will be delivered to the Minister of Defence, Linda Reynolds, early in 2020.[42]

China's ability to project military power deep into the Indo-Pacific is expanding. Its ability to undertake anti-access and area denial (A2AD) operations is expanding in both capacity and range. Australia must therefore respond to this challenge as it shapes its future defence policy, ADF military strategy, and builds future ADF capability. The PLA's long-range strike capabilities based around medium and intermediate range ballistic and cruise missile systems of the PLA Rocket Forces are evolving rapidly. In addition, the PLA Air Force and China's growing space and cyber capabilities within the PLA Strategic Support Force, are also making significant strides forward. The growing ability of the PLA Navy and Air Force to project power could be further supported by the possibility of additional forward bases — beyond those it has already constructed in the South China Sea. The latter, for example, could include bases in the Southwest Pacific, or even in Ream, Cambodia. China is poised

[40] Lee, John, and Lavina Lee. "Understanding, analyzing and countering Chinese non-military efforts to increase support for, and decrease resistance to, Beijing's strategic and defence objectives in Southeast Asia: Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam." *L21 Research Report* 2 (2020). https://s3.amazonaws.com/media.hudson.org/L21%20Pty%20Ltd%20-%20China%20in%20Southeast%20Asia%20Report%202020%20Final%20-%20John%20Lee%20and%20Lavina%20Lee.pdf; see also U.S. Department of State. "A Free and Open Indo Pacific – Advancing a Shared Vision." November 4, 2019, p. 23. www.state.gov/wp-content/uploads/2019/11/Free-and-Open-Indo-Pacific-4Nov2019.pdf; see also Brewster, David. "A 'Free and Open Indo-Pacific' and what it means for Australia." *The Interpreter*, March 7, 2018. www.lowyinstitute.org/the-interpreter/free-and-open-indo-pacific-and-what-it-means-australia

[41] Packham, Ben. "Out of date strategies in defence white paper." *The Australian*, October 8, 2019. www.theaustralian.com.au/nation/defence/outofdate-strategies-in-defence-white-paper/news-story/3e871d6322765aa33b72123b28b21d70

[42] Department of Defence, Australian Government. "Royal Australian Navy Sea Power Conference, International Convention Centre, Sydney." October 8, 2019. www.minister.defence.gov.au/minister/lreynolds/speeches/royal-australian-navy-sea-power-conference-international-convention

to exercise military influence deeper into maritime Southeast Asia, the Southwest Pacific, and the Indian Ocean. It could do so in a manner that challenges Australia's ability to secure its air and maritime approaches.

How should Australia respond to this challenge? The 2016 Defence White Paper and its accompanying Integrated Investment Program provides guidance on defence policy, military strategy, force structure, capability development, and defence diplomacy through to 2026. However, in 2019, the Australian government recognised that the strategic outlook had developed faster than anticipated, and in worrying directions. This has resulted in a defence review, which is nearing completion and will address not only deteriorating strategic circumstances, but also address any changes to ADF capability, and potential changes in terms of defence funding.[43] The outcomes of this review are yet to be released, but a number of decisions outlined below should shape Australia's future defence policy.

Australia needs to invest in not only the right types of military capability to counterbalance the risks posed by an expanding Chinese presence, but also identify technologies that can strengthen Australia's ability to work with the United States and other key partners more directly. It must also strengthen the foundations of an FOIP region.

Australia cannot match China's military arsenal and it does not necessarily need to in the literal sense. It must, however, invest in technology and capability that allows it to deter any challenge through denial by raising the cost to an adversary to unacceptable levels. Traditionally, Australia has banked on sustaining a military-technology edge, but that is becoming increasingly difficult to maintain. This is on account of its security threat being a major power like China, and this challenge encompasses the Indo-Pacific rather than being directed against the sea-air gap.

A narrow focus purely on the traditional Defence of Australia mission will be insufficient, and instead, Australia must seek to acquire capabilities and build the type of forces that can burden share to a greater degree across the region, rather than sitting behind a notional strategic moat suggested by the sea-air gap to the north and west of Australia.

With these two factors in mind, Australia must identify technologies that give them an edge that strengthens a deterrence by denial capability within the context of a closer US-Australia strategic alliance and expand and deepen defence relations with key partners in the region. Former US Ambassador and Labor Party leader, Kim Beazley, reinforces the essential basis for Australia's future security, which is its alliance with the United States, arguing, "Australia cannot be defended without an alliance with the United States. It's as simple as that. If you know the math, if you know the capability, and if you know what we can spend, to contemplate a situation without them, you can forget it."[44]

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[43] Ibid

[44] Packham, Ben. "US alliance 'more important than ever'." *The Australian*, February 6, 2020. www.theaustralian.com.au/nation/politics/alliance-with-us-more-important-than-ever-says-kim-beazley/news-story/bc33a2bb7fb7502ef8352f2ebb03dd60; see also Australian Strategic Policy Institute. "In Conversation

Strengthening that relationship should be a priority for Australia, with one approach being closer defence technology cooperation with the United States. This will allow developing of common capabilities to counterbalance China's emerging A2AD and power projection potential. The same approach needs to also allow for building deeper relations with other key partners including Japan, Indonesia, Singapore, and potentially India.

The key challenge facing Australia's defence ambitions is the defence investment plan that will only deliver new capability — particularly at sea — from the late 2020s onwards. It must be highlighted that substantial investment into naval shipbuilding is absorbing increasing amounts of defence funding and these efforts will only deliver real capability starting in the 2030s.[45] The slow pace of defence recapitalisation means Australia is faced with an increasing risk emerging out of US-China tensions. Its rapidly changing strategic outlook is only deteriorating. Furthermore, Australia's policy and capability response is slow to the point of leaving the ADF lacking in new capability for most of the coming decade, at least at sea. The traditional margin of a military-technology edge will thus erode further in coming years unless urgent corrective action is taken soon.

If Australia's policy goal is to promote a FOIP, as summarised earlier, then the ADF must develop credible deterrence capability that operates beyond the nation's maritime and air approaches. In addition, Australia must embrace an in-depth forward defence strategy that seeks to prevent the erosion of the established rules-based order by sustaining a forward presence, in the form of its own A2AD capabilities.[46]

That may be difficult to achieve, based on Australia's current level of defence spending, and more significantly, the slow pace of naval recapitalisation that is a result of a political decision to invest in a continuous shipbuilding program. The potential for Australia to enhance naval construction to see new capabilities - such as the *Hunter* class future frigate and the *Attack* class future submarine - delivered sooner is unlikely to be realised. Also, the risks associated with sustaining operational submarine capability with the *Collins* class boats, particularly as a result of likely delays with the future submarine project, is high.[47]

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with Kim Beazley and Paul Dibb." February 5, 2020. www.youtube.com/watch?v=v0hSRn1nXMI&feature=youtu.be

[45] Fruehling, Stephan. "Reassessing Australia's Defence Policy (part 1): What is the ADF for?" *The Strategist*, January 29, 2020. www.aspistrategist.org.au/reassessing-australias-defence-policy-part-1-what-is-the-adf-for/

[46] Davis, Malcolm. "An anti-access / area-denial capability for Australia?." *The Strategist*, November 25, 2019. www.aspistrategist.org.au/an-anti-access-area-denial-capability-for-australia/; see also Davis, Malcolm. "Forward defence in depth for Australia." *Strategic Insights* 139 (2019). www.aspi.org.au/report/forward-defence-depth-australia

[47] Hellyer, Marcus. "Submarine report reveals Defence advised to consider other options." *The Strategist*, January 15, 2020. www.aspistrategist.org.au/submarine-report-reveals-defence-advised-to-consider-other-options/; see also Australian National Audit Office, Australian Government. "Future Submarine Program – Transition to Design." January 14, 2020. www.anao.gov.au/work/performance-audit/future-submarine-program-transition-to-design

This is not a good place to be as Australia confronts a more contested and potentially dangerous security outlook. Fruehling argues that for Australian defence policy to assume greater coherence, it needs to prioritise between on-going 'competition' with China – responding to Chinese political warfare and grey zone activity within maritime Southeast Asia and the Southwest Pacific, the prospect of "limited war" that could emerge in the South China Sea, through to the potential for major war with China, possibly emerging out of a crisis over Taiwan.[48] In all three cases, the ADF needs to be able to operate in a sustained manner, well forward of the Australian mainland within maritime Southeast Asia and into the Southwest Pacific.

For ADF force structure, battling long delays in getting new capability, two steps must be taken. There needs to be greater investment via defence diplomacy to open deeper defence relationships with Australia's partners in maritime Southeast Asia and with Japan to gain greater access to forward bases that can support air operations. There should also be additional financial investment in air combat capability to rapidly fill a deterrence and strike gap, which will emerge in limited and major war, as identified by Fruehling, and emphasised by two former RAAF Chiefs, Air Marshal Leo Davies (rtd) and Air Marshal Geoff Brown (rtd).[49]

If there is a "technological fix," it is a shift away from "like for like" defence acquisition to a new acquisition strategy that identifies and exploits disruptive innovation in military affairs. Specifically, the ADF needs to exploit four key technology trends that can either directly facilitate a more responsive forward stance or lay the basis for greater sustainment of that stance even in a more contested operational environment.

First, a key feature of the next decade will be the rapid proliferation of autonomous systems, with varying degrees of trusted autonomy. Australia is already investing in MQ-4C Triton and MQ-9B Sky Guardian UAVs, but there needs to be greater willingness to embrace a more ambitious approach to autonomous unmanned systems. For example, both the US Navy and Royal Navy are set to invest in extra-large unmanned underwater vehicles (XLUUVs) and unmanned surface vehicles (USVs) that can operate independently for months at sea.[50] Australia should seek to expand its naval capability through investment in such unmanned systems for intelligence, surveillance, reconnaissance, and potentially lethal force roles.

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[48] Fruehling, Stephan. "Reassessing Australia's defence policy (part 2): What are our strategic priorities?" *The Strategist*, January 31, 2020. www.aspistrategist.org.au/reassessing-australias-defence-policy-part-2-what-are-our-strategic-priorities/

[49] McGregor, Catherine. "Give RAAF more strike force, say defence chiefs." *The Weekend Australian*, November 5, 2019. www.theaustralian.com.au/nation/defence/give-raaf-more-strike-force-say-defence-chiefs/news-story/57f41e233a4f591e99593c06f7edb788

[50] Davis, Malcolm. "Unmanned systems are the future, and Australia's navy needs to get on board." *The Strategist*, October 15, 2019. www.aspistrategist.org.au/unmanned-systems-are-the-future-and-australias-navy-needs-to-get-on-board/ ; see also Baker, Berenice. "Orca XLUUV: Boeing's whale of an unmanned sub." *Naval Technology*, July 13, 2019. www.naval-technology.com/features/boeing-orca-xluuv-unmanned-submarine/; Freedberg Jr., Sydney J. "Robot Wolfpacks: The Faster, Cheaper 355-Ship Fleet." *Breaking Defense*, January 22, 2019. https://breakingdefense.com/2019/01/robot-wolfpacks-the-faster-cheaper-355-ship-fleet/

Second, Australia is well positioned to exploit its growing commercial space sector to provide both a sovereign space capability for defence and for national security purposes. Sovereign space capability can mitigate risks posed by adversary counter-space capability and allows Australia to "burden share in orbit" with the United States and other key partners, to boost space resilience.[51]

Third, greater emphasis needs to be placed on enhanced logistics and combat enablers, as well as boosting readiness, and developing more effective mobilisation and sustainment in the face of a more uncertain security outlook. These could be developed in tandem with similar steps by partners in the Indo-Pacific and facilitate increased military-to-military cooperation at the tactical and operational level.

Fourth, the ADF needs to move rapidly to identify and exploit disruptive innovation that emerges in civil and commercial sectors and apply it to the military sphere. This paper earlier talked about how higher investment in 4IR capabilities — as part of a broader approach towards economic engagement in the Indo-Pacific region — was an important step for Australia. That same approach can be applied to open new means for Australia as a middle power to acquire new types of military technology that is locally produced rather than acquired from the United States. The establishment of a greater degree of a sovereign defence industry is necessary, which is focused on high technology 21st century approaches based around 4IR capabilities. It must be one that can also rapidly deliver capability and allow the ADF to keep pace with notional innovation curves set both by allies and partners within the Indo-Pacific, and adversaries too. This approach is far more useful than investing in a 20th century style naval shipbuilding program. The application of 4IR towards acquiring a range of different types of domestic military capability can also boost Australia's defence export base in a much shorter timeframe than shipbuilding.

The themes associated with investment in 4IR and disruptive innovation in the civil and commercial sector strengthen Australia's role as a middle power to engage with regional economic activity within a free and open Indo-Pacific region. They further Australia's foreign and defence policy objectives of promoting an FOIP that is prosperous, democratic, and in which the established rules-based international order is secure, even in the face of a rising China.

New security issues – climate change, resource constraints and demographic change

Australia will need to balance its attention to traditional security and defence risks against the threat of human-driven ("anthropogenic") climate change. The threat of climate change has been driven home in stark relief as Australia has suffered through its worst bushfire season on record, from October 2019

[51] Davis, Malcolm. "The Australian Defence Force and contested space." *ASPI*, August 15, 2019. www.aspi.org.au/report/australian-defence-force-and-contested-space

through to February 2020. All future climate projections across Australia have common themes, as highlighted under Climate Change in Australia's future website:[52]

- Average temperatures will continue to increase across all seasons, with average winter and spring rainfall declining but contrasted with more intense rain and storm events.
- There will be consistent mean sea level rise.
- Longer, and more dangerous bushfire seasons.

Australia is facing a future climate that is hotter, dryer, and harsher, even as its population increases, and becomes more urbanised. The prospect of future "megafires" which wipe out whole towns while creating their own weather patterns, are now impossible to ignore.[53] Michael Shoebridge argues that

> ... the 2019–2020 fire season is probably an ugly foretaste of the kind of crises that a drier and hotter Australia will need to deal with in this decade and into the future. And the floods in Java show us that it won't just be Australia that will be responding to large-scale natural or manmade disasters in our own region — some regional nations will probably both want and expect help from partners like Australia, and will help Australia as we experience our own crises.[54]

It is the growing challenge of climate change at home, together with its effects more broadly in the region that highlights Australia's middle power role in this matter. Specifically, Australia will be faced with an increasing challenge from climate change but from external threats as well. It will experience changes within the Indo-Pacific region as the impact of global warming generates growing resource insecurity, extreme weather events, and natural disasters. These events will lead to environmental refugee flows from climate and resource stressed areas, particularly in the Southwest Pacific. Maritime Southeast Asia could also be affected. Ryan notes that:

> The impacts from climate change on developing countries include water and food insecurity, as well as the destruction of homes and livelihoods in catastrophic events. This leads to the potential for environmental refugees and internally displaced people as recently witnessed in Australia and Australia's Pacific neighbours, like Kiribati …. Climate

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[52] Climate Change in Australia. "Projections for Australia's NRM Regions." Accessed April 6, 2020. www.climatechangeinaustralia.gov.au/en/climate-projections/future-climate/regional-climate-change-explorer/super-clusters/

[53] Flannery, Tim. "This is the age of the megafire – and its being fueled by our leaders." *The Guardian*, February 7, 2020. www.theguardian.com/commentisfree/2020/feb/07/climate-fire-leaders-disaster-australian-government; see also Freedman, Andrew, and Sarah Kaplan. "Firenadoes, ember attacks and megafires: Australia is seeing sci-fi weather." *The Washington Post*, January 14, 2020. www.washingtonpost.com/climate-environment/firenados-ember-attacks-and-megafires-australia-is-seeing-sci-fi-weather/2020/01/13/5e67c25c-3315-11ea-91fd-82d4e04a3fac_story.html

[54] Shoebridge, Michael. "Defence review confronts a new purpose – broader agenda shifts from last September." *The Strategist*, to be published.

change will impact the capacity of governments to ensure food and water security for their growing populations while causing major internal and regional disruptions.[55]

For Australia, this will open new opportunities for engagement. The nation needs to strike an effective balance in managing the traditional and growing "hard security" risks posed by China-US strategic competition in the region, and the emerging "new security" challenges posed by climate change and global warming. There will be direct effects on human security brought about by resource insecurity and competition, as more people become climate refugees.

For Australia, there needs to be greater emphasis on providing foreign aid to climate-change challenged states, particularly in the Southwest Pacific through the Pacific Step-Up initiative.

This should not merely be a reactive role for Australia involving dispatch of assistance after each crisis. Assisting regional states in mitigating the effects of climate change and building resilience in the face of growing environmental, resource, and demographic challenges is a task that Australia should embrace as a middle power and as the dominant Pacific power. Ideally, this should be done through establishing new multilateral architectures and organisations within the South Pacific and in maritime Southeast Asia, and in collaboration with other major actors such as Japan and the United States. Such organisations can alleviate the risks posed to small developing states, through developing institutional capacity that is skilled in managing the challenges posed by climate change.

In addition to responding to the challenge posed to these states by climate change, greater diplomatic outreach and foreign aid is essential. This will strengthen regional cooperation by Pacific Island states to counterbalance attempts by China to gain influence.[56] China's efforts to gain influence in the South Pacific states gained pace in the past due to Australian inaction and complacency.[57] The impact of climate change on these small states is their most pressing security challenge, and now, Australia has an opportunity to take a leading role in responding to that challenge.

To achieve this, there needs to be a more forward thinking and insightful approach on climate change and its causes, and on how best to respond to this existential threat by the Australian government. Such an approach wasn't demonstrated by Australia at the 2019 Pacific Island Forum meeting in Tuvalu. This failure of Australian diplomacy to address the regional concerns of Pacific Island States only benefited China, which promptly stepped into the breach with the promise of further investment through the Belt and Road Initiative.[58]

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[55] Ryan, Christopher. "Climate Change Brings Geopolitical Complications for Australia." *The Diplomat*, January 16, 2020. https://thediplomat.com/2020/01/climate-change-brings-geopolitical-complications-for-australia/

[56] Tidwell, Alan C. "With Pacific Step up, a chance to step in." *The Interpreter*, September 30, 2019. www.lowyinstitute.org/the-interpreter/with-pacific-step-up-chance-step-in

[57] Wyeth, Grant. "Australia's Pacific Step-Up: More than just talk." *The Diplomat*, February 8, 2019. https://thediplomat.com/2019/02/australias-pacific-step-up-more-than-just-talk/

[58] Morris, David. "Australia's Pacific 'Step Up' Stumbles'." *AsiaGlobal Online*, September 5, 2019. www.asiaglobalonline.hku.hk/australias-pacific-step-up-stumbles/; see also Matsumoto, Fumi. "Rising Seas

Earlier, the potential offered by 4IR capabilities was mentioned as a way for Australia to engage with the Indo-Pacific region. Australia loses credibility in the international debate on climate change because of its continued dependency on fossil fuels, including coal, which are the key source of greenhouse gases driving global warming. The possibility for Australia, alongside regional partners, to work together to stimulate high-technology manufacturing and "green energy" growth will go a long way towards meeting its obligations under the Paris Agreement, and boosting its regional environmental credibility.

As a middle power, Australia must take on a leadership role involving critical issues. The 2019–2020 bushfire crisis, the COVID-19 pandemic, and faster than anticipated climate change have all created an opportunity for Australia to assume leadership in meeting the impact of climate change, through maintaining enhanced regional security cooperation and undertaking humanitarian assistance and disaster relief tasks. Australia can take the lead in promoting new green technology sectors in collaboration with regional partners.

Conclusion: Way Forward for Australia as a Middle Power

This paper has emphasised the prospect of a more challenging strategic outlook for Australia. The risks emerge from an intensifying strategic competition between a rising China and the United States, with China intent on challenging the US strategic primacy in the Indo Pacific. China also seeks to revise the existing US-led rules-based international order in a manner that is more beneficial to China.[59] The possibility that strategic competition between the United States and China will intensify and slide towards military conflict should be the key driver shaping Australia's defence and foreign policies towards the Indo-Pacific region in forthcoming decades. How Australia, as a middle power, prepares for that dangerous future is the key question facing both its foreign and defence policy communities in 2020.

Caution is advisable in projecting linear growth rates for the Chinese economy, and the implications for its growing military power and strategic influence. Chinese economic growth has been slowing since 2007. The impact of the Coronavirus pandemic is presenting even greater challenges. Stephen Nagy suggests that China's economic growth is likely to decline sharply in a manner that could imperil the CCP's bargain with its citizens, in which they retain political control in exchange for steady and stable economic growth.[60] He states:

and anger: Pacific islands slam pro-coal Australia." *Nikkei Asian Review*, August 29, 2019. https://asia.nikkei.com/Spotlight/Environment/Rising-seas-and-anger-Pacific-islands-slam-pro-coal-Australia

[59] Dibb, Paul. "How the geopolitical partnership between China and Russia threatens the West." *Special Report* 148 (2019). www.aspi.org.au/report/how-geopolitical-partnership-between-china-and-russia-threatens-west

[60] Stephen Nagy, 'COVID19: As China Recovers, Will its Economy Follow?', The Diplomat, March 30th, 2020, at https://thediplomat.com/2020/03/covid-19-as-china-recovers-will-its-economy-follow/

"A significant drop in consumption in China, a slow return to the full functioning of the economy, and the slow return of migrants and other workers to manufacturing centers and cities mean one of the engines of global growth is running on half speed."

The immediate severe contraction in Chinese growth – and it was slowing before the outbreak in Wuhan – is likely to be compounded by the shock to global stock markets and calls to diversify supply chains. China's economy is still heavily dependent on exports, and it is now hostage to the downward spiral of export markets, where demand is collapsing.[61] There is also the risk of uncontrolled secondary and tertiary outbreaks. Nagy argues that:

"…a return of COVID19 in any form to China will accelerate the decoupling and deglobalization process [which]…will inculcate more instability into US-China relations, the global economy, and the global community's ability to deal with global issues such as climate change, transnational diseases, and the next black swan event."

That future, in turn, may see continuing slower investment into military modernisation. Prior to the outbreak of the Coronavirus in Wuhan in November 2019, there was a slowing rate of defence spending - changing from an 8.1 per cent increase in defence spending in 2018, down to a 7.5 per cent increase in 2019.[62]

Slowing GDP growth, together with reducing rates of growth in defence spending may continue to make it more challenging for China to sustain rapid military capability growth that has been characteristic of recent years. Yet, China is still outstripping US defence spending growth rates (although not spending nearly as much on defence overall). Key indicators of Chinese military power — notably the quantitative balance between the PLA Navy and the US Navy is changing as China's rapid naval modernisation gathers pace.[63] China is also eroding some of the traditional advantages held by the United States in qualitative terms, with its A2AD potential directly challenging the future efficacy of the United States' principal means of power projection — the aircraft carrier battle group.

A failure of the "China Dream" of a rejuvenated China that is "a rich country, with a strong army" — which overturns the perceived century of humiliation that emerged from the beginning of the 19th century Opium Wars in 1839 until the coming to power of Mao's Communist's and the formation of the

[61] Stephanie Segal, Dylan Gerstel, "The Global Economic Impacts of COVID-19", CSIS, Washington DC, March 10th 2020, https://www.csis.org/analysis/global-economic-impacts-covid-19

[62] China Power Project. "What does China really spend on its military?" Accessed November 11, 2019. https://chinapower.csis.org/military-spending/

[63] Lague, David, and Benjamin Kang Lim. "China's vast fleet is tipping the balance in the Pacific." *Reuters*, April 30, 2019. www.reuters.com/investigates/special-report/china-army-navy/; see also China Power Project. "How is China modernizing its navy?" Accessed November 11, 2019. https://chinapower.csis.org/china-naval-modernization/

People's Republic of China in 1949 — would be unacceptable to China.[64] Its success would be unacceptable to Washington if this was at the expense of the US strategic primacy in the Indo-Pacific.

Three possible futures emerge. The best-case future would be one of strategic equilibrium. In this scenario, US-China cooperation is possible on areas of common interest, and competition is carefully managed. There is strategic coexistence, with both sides working to avoid risks of conflict, even as they continue to develop advanced military capability. This is akin to the traditional "Cold War" outcome, in which a form of evolved mutual deterrence constrains each side's freedom of action and minimises the risk of regional flashpoints becoming military conflict. Competition over strategic technologies such as AI, machine learning, robotics, quantum technologies, and energy technology will accelerate. In this future scenario, Australia can more easily maintain a balancing point between a rising China and the United States in which it strengthens its strategic relationship with Washington, while maintaining its steady trading relationship with Beijing. Yet, the reality of Chinese political warfare activities against Australia will make it more challenging to achieve even this balancing point, should such activities continue.[65]

Alternatively, Chinese economic growth may continue to slow, and other domestic problems within China will place greater pressure on the Chinese state's power. For example, the implications of an uncontrollable COVID-19 epidemic on Chinese (and by extension, global) economic growth, and the risk of growing societal unrest, can have serious implications for regime legitimacy.[66] In spite of President Xi Jinping's ambitious vision of a China Dream, there are growing internal risks, notably a worsening debt to GDP ratio and demographic challenges that could see China get "old before it gets rich." Furthermore, added challenges include wealth gaps between the urban and rural region, internal political concerns against President Xi's decision to become "president for life", and continuing environmental challenges.[67] Slowing economic growth is likely to place pressure on the Chinese state's ability to sustain prosperity across a broadening middle class, weakening its legitimacy, particularly as prosperity and greater opportunities for education overseas may generate discontent with a slide back into Maoist authoritarianism that is currently underway under Xi.[68] The resistance movement within Hong Kong towards Chinese political and legal power that began in 2019 could be a foretaste of what

[64] Kaufman, Alison A. "The 'Century of Humiliation' and China's National Narratives." *Channel News Asia*, March 10, 2011. www.uscc.gov/sites/default/files/3.10.11Kaufman.pdf; see also Allison, Graham. "What Xi Jinping Wants." *The Atlantic*, May 31, 2017. www.theatlantic.com/international/archive/2017/05/what-china-wants/528561/

[65] Sharma, Dave. "Its time Australia rose up to defend itself." *The Australian*, December 30, 2019. www.theaustralian.com.au/nation/political-warfare-dave-sharmas-call-to-arms/news-story/6f629d834e09af6cda84e28aa126c960; see also Packham, Ben. "Political warfare: Dave Sharma's call to arms." *The Australian,* December 30, 2019. www.theaustralian.com.au/nation/political-warfare-dave-sharmas-call-to-arms/news-story/6f629d834e09af6cda84e28aa126c960

[66] Daurat, Cecile. "The Coronavirus Is Infecting the Global Economy. Here's How." *Bloomberg*, February 1, 2020. www.bloomberg.com/news/articles/2020-01-31/the-global-economy-is-getting-infected-by-the-virus; see also The Economist Intelligence Unit. "Coronavirus: four scenarios for China's economy." February 3, 2020. http://country.eiu.com/article.aspx?articleid=609020044&Country=China&topic=Economy

[67] Dibb, Paul, and John Lee. "Why China will not become the Dominant Power in Asia." *Security Challenges* 10 (2014), pp. 1–21. www.hudson.org/content/researchattachments/attachment/1437/sc10_3_dibb_lee.pdf

[68] Zhao, Suisheng. "Xi Jinping's Maoist Revival." *Journal of Democracy* 27 (2016): 83-97. www.journalofdemocracy.org/articles/xi-jinpings-maoist-revival/

to expect if China's economic growth stutters and fails. A "China Crash" scenario would see greater risk of internal instability, which in turn, could generate insecurity across the Indo-Pacific.

Under this scenario, the potential for the Chinese state to adopt a more nationalist stance and become more assertive externally can increase. That can lead to a third scenario of a growing risk of "major power conflict", in which a more nationalist Chinese state becomes emboldened to act assertively in the region, particularly in relation to territorial and maritime disputes in the South China Sea, and with respect to Taiwan.

Both the "China Crash" and "major power conflict" scenarios make it more difficult for Australia to sustain its current preferred policy of not choosing between its essential strategic relationship with the United States and its vital trading relationship with China, and decrease the prospect for strategic equilibrium between Beijing and Washington. In this future, Australia may be forced to make some demanding strategic choices.

The three scenarios suggested include the future possibility of the United States and China finding strategic equilibrium and coexisting in a stable manner; the prospect of a China Crash leading to increased nationalism within China; and a more assertive foreign and defence stance that in turn leads to a third scenario of increasing risk of major power conflict. In this context, what options are open to Australia as an Indo-Pacific middle power, and how might Australia-Singapore relations evolve?

The notion of Australia as a middle power, suggests a state that is able to provide for its own defence, without the means to coerce or seriously threaten others of similar strength and influence, and with an ability to " … shape specific parts of the international system, though not the overlying structure, in a manner that suits its interests".[69] The definition thus implies a focus on military power and defence capability, coupled with diplomatic influence through engagement with international organisations and structures.

Australia has a clear path forward as a middle power – as a key ally of the United States and as an important actor in the Indo-Pacific region. If anything, Australia needs to step up its role in the Indo-Pacific and seek to do more alongside the United States and other partners as it faces a more challenging and contested strategic outlook. It is this contested and uncertain outlook that Australia faces — the potential for rough seas rather than calm waters — that will challenge its approach to middle power diplomacy and security engagement.

[69] Australian Institute of International Affairs. "Is Australia a middle power?" Accessed April 7, 2020. www.internationalaffairs.org.au/is-australia-a-middle-power/; see also Carr, Andrew. "Is Australia a middle power? A systemic impact approach." *Australian Journal of International Affairs* 68 (2014). Doi:10.1080/10357718.2013.840264

Some commentators consider the erratic tone adopted by the Trump administration and argue that Australia, as a middle power, should adopt a more independent path that de-emphasises ANZUS and the US-Australia alliance. For example, Allan Patience argues that Australia's " … strong commitment to ANZUS puts it in danger of appearing forever in need of affirming its loyalty to the United States in order to guarantee security."[70] Hugh White argues in *How to Defend Australia* that based on an assumption of the United States as a failing superpower, as China rises to supplant it, Australia should adopt a more independent path, but his thesis inevitably drifts towards a suggestion of acquiescence to China's interests in the region as the price paid for security.

Such a step would be disastrous for Australia's security and prosperity. At the highest level, it is important to sustain engagement with the United States, look beyond the Trump Administration and seek to further strengthen ties with the US defence and national security community. The United States remains fully focused on the Indo-Pacific region as the most important region for US strategic interests, and the direction from which a clear strategic challenge – from China is emanating. The notion that the United States is going to turn its back on its allies in the face of this challenge is not reflected in current US policy documents, nor in policy debates now occurring in Washington and Honolulu.

The best path for Australia — irrespective of how US-China relations pan out, and whether or not President Xi's China Dream is realised — is a stronger Australian middle power role in the Indo-Pacific that aims to strengthen ties with other key regional actors in a manner that reinforces the prospects for success of an FOIP. That is vital. The success of an FOIP strengthens the established rules-based international order, promotes growth and prosperity, and freedom of navigation of the seas and air. It counterbalances Chinese power and boosts prospects for strategic equilibrium becoming more sustainable and stable. Turning away from the United States will weaken Australian power and influence, and in fact would dilute its status as a middle power.

These two goals — a strengthened US-Australia alliance and a successful establishment of an FOIP in partnership with Japan, ASEAN, and India — must underpin and guide Australia's middle power diplomacy. Overall, the objective of Australia's middle power strategy must be to avoid the establishment of a Sino-Centric regional order and not to contain China. Rather, it must counterbalance China with an alternative political, economic, and security architecture that reinforces the norms and rules inherent within the current rules-based international order. Geography links Australia towards ensuring stability, security, prosperity, and freedom in the Indo-Pacific and that demands the nation to be a proactive power in engaging with the region. That engagement must occur across the full spectrum of international relations — from soft power approaches inherent in diplomacy with established regional architecture, trade, economic integration and cooperation through promoting CPTPP and a balanced and open RCEP. It must also include hard power cooperation with regional partners by strengthening

[70] Patience, Allan. "Australia's middle power role in the Asia Pacific." *East Asia Forum*, August 2, 2019. www.eastasiaforum.org/2019/08/02/australias-middle-power-role-in-the-asia-pacific/

existing partnerships and building new ties between the spokes in the US-led hub-and-spokes security arrangements.

In terms of defence and foreign policy, what must be avoided is a Melian dialogue in the Indo Pacific, in which “large states do what they will, and small states suffer what they must”. That would be the intent of a rising China, and it is that future that must be resisted. Historically, Australia has always depended on powerful friends to enhance its ability to protect its interests, but this stance need not evolve. In the 21st century, Australia must do more to reinforce an FOIP future, not only by burden sharing with the United States to a greater degree, but also by playing a more active and visible defence and security role within Asia, particularly through closer defence ties with ASEAN, and with Japan and India via the restored Quad. The days of seeking security “from Asia” are long gone, and those who see security and defence in simplistic terms of simply disengaging from the United States, fail to comprehend the potential benefits for Australia as a middle power, with the United States and with the Indo-Pacific.

There are ample opportunities both within civil and commercial sectors, as well as in defence and military capability developments, to leverage new technology to better enable Australia to achieve these goals. There should be an emphasis on building closer integration of high technology sectors between Australia and its Indo-Pacific neighbours, in particular through investment in 21st century approaches to industry and manufacturing inherent in the 4IR. New high-technology sectors, such as the rapidly growing commercial space sector in Australia, and also “green” renewable energy technologies can benefit Australia’s ability to exploit soft power across the Indo Pacific for the benefit of all stakeholders. This includes the potential application of a 4IR and future technology dimension to vital diplomatic endeavours, including the Pacific Step-Up.

Greater investment in emerging technology as applied to military capability will also allow Australia to punch more above its weight as a middle power, than continued investment in legacy capability that is locally produced. New types of military capability, such as unmanned autonomous systems, space and cyber capabilities, enhanced logistics, and more broadly, disruptive innovation within a civil-military dimension, needs to be the priority. These can allow not only greater cooperation on capability development with traditional partners, but also allow more engagement with Indo-Pacific partners, notably Japan and Singapore.

Although Australia recognises that the primary challenge facing the Indo-Pacific region is the risk posed by intensifying strategic competition between a rising China and the United States, Australia is also very cognisant of new security challenges, especially those driven by anthropogenic climate change, with its impact on resource competition, and the prospect for climate-change mass migration generating demographic risks. The potential significance of the 2019-2020 bushfire crisis, and now COVID-19, and how these events may reshape the defence and national security debate in Australia

cannot be overstated, and this represents an opportunity for Australia to adopt a more sophisticated approach at a broader level towards engagement with the Indo Pacific.

The possibility for Australia to work more closely with regional partners in dealing with the risks posed by climate change, including the impact of global warming, rising sea levels, and extreme weather events should not be missed. Australia as a middle power is well placed to play a greater and more productive role in the region in supporting the requirements of its partners, including through the promotion of technologies that can ease the nation's dependence on fossil fuels, and at the same time, promote "green prosperity" through investment in new high technology sectors of regional economies.

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Dr Malcolm Davis joined the Australian Strategic Policy Institute as a Senior Analyst in Defence Strategy and Capability in January 2016. Prior to this, he was a Post-Doctoral Research Fellow in China-Western Relations at Bond University from March 2012 to January 2016. He has worked with the Department of Defence, both in Navy Headquarters in the Strategy and Force Structure area, and with Strategic Policy Division in the Strategic Policy Guidance sections from November 2007 to March 2012. Prior to this appointment, he was a Lecturer in Defence Studies with Kings College London at the Joint Services Command and Staff College, Shrivenham, United Kingdom, from June 2000 to October 2007. He holds a PhD in Strategic Studies from the University of Hull as well as two master's degrees in strategic studies, including from the Australian National University's Strategic and Defence Studies Centre.

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