

STRATEGY

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Agenda for change 2016

Strategic choices for the next government



Edited by Malcolm Davis

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Australian Parliament House, Canberra. © Christopher Meder / Shutterstock

PREFACE

Andrew Davies

The defence of Australia's interests is a core business of federal governments. Regardless of who wins the election on 2 July, the incoming government will have to grapple with a wide range of security issues. This ASPI Strategy report provides a range of perspectives on selected defence and national security issues, as well as a number of policy recommendations.

ASPI produced a similar brief before the 2013 election.¹ A comparison of this report with our 2013 *Agenda for change* paper will show that there are some enduring challenges, such as cybersecurity, terrorism and an uncertain global economic outlook. Natural disasters that affect large groups of people are a constant feature of life on the Pacific and Indian Ocean rim.

Some of the problems we wrote about in 2013 have already been addressed by decisions taken by the outgoing government—though it's rare to be able to lay some of these complex problems to rest in perpetuity. In February 2016 we got a Defence White Paper that set out over \$150 billion of future investment, which should ameliorate the looming defence resourcing issues we identified back then. Similarly, the Department of Defence is undergoing a root-and-branch reform following the 2015 First Principles Review, which includes measures that address some shortcomings we noted in the old structure. And we've just had the release in April of a Cyber Security Strategy document that sets out the way ahead for the government's response to a growing online threat.

There are also some challenges that didn't seem so acute only three years ago but need attention now. Recent events in the South China Sea have markedly ratcheted up regional tensions. And North Korea's increasingly sophisticated nuclear and missile programs continue to destabilise North Asian security. ISIS has emerged as a serious military threat in the Middle East and an exporter of global terrorism, both by sending operatives out to other countries and by recruiting locals through an online propaganda program.

The incumbent for the next term of government will have to deal with these issues—and probably some that aren't obvious now. For example, the incoming Abbott government could scarcely have thought that an airliner shot down over the Ukraine would provide an early test of its approach to national security. We hope that this report will provide a good 'incoming brief' of the nation's security issues as we see them today, but we recognise that events will overtake some of our prognostications and policy recommendations. We're not likely to be short of issues to analyse in the years to come, and ASPI will continue to provide its blend of strategic analysis and policy development, not just for government, but to inform the public discussion of important issues.

On the pages that follow immediately, you'll find forewords on the defence policy and broader national security sections of this report by my ASPI colleagues Kim Beazley and Toby Feakin, respectively.

Note

- 1 Peter Jennings, Mark Thomson, Andrew Davies, Anthony Bergin, Kristy Bryden, Russell Trood, Ryan Stokes, *Agenda for change: strategic choices for the next government*, ASPI, Canberra, 15 August 2013, [online](#).

FOREWORD ON DEFENCE POLICY

The Hon Kim Beazley, AC

The *2016 Defence White Paper* (2016 DWP) began the contemporary defence debate; it didn't end it. It enjoys widespread bipartisan political support. Unusual in the post-Cold War context, defence policy was referred to at some length in the Treasurer's budget speech. Border protection and counterterrorist formulations have featured in the recent past. This reference, oriented towards shipbuilding and a focus on high technology skills and innovation, set Defence at the heart of government hopes for a creative society. Demonstrating bipartisanship, the Opposition put out no critical press releases.

While our community of defence experts has not let the paper's release pass uncritically, there's a sense that we have a substantial document reflecting sound analysis of our strategic environment, sound strategy, good force structure, reasonable resources and sustainability in the industrial backup of, if not a self-reliant posture, at least one which allows us to adjust internally for our special circumstances. That's comforting. Most comforting is the indication that Defence is again in real national focus. That means serious work by defence analysts on directions need not melt like snow in spring. This is good.

Our strategic environment has so many uncertainties in it, and material defence capabilities are so situated in a revolutionary moment, that no 20+-year projection can survive more than two or three years as a source of certainty for policymakers. That the 2016 DWP began the conversation rather than ended it will be obvious from the chapters in this compendium. Some of the work goes to what is effectively implementation. Our defence and broader diplomacy need to reflect the challenges and opportunities identified in the White Paper. Some of it goes to medium-term projections on what appeared settled: funding and major equipment. Above all, the ideas indicate why it's desirable to have white papers at least every five years. The questions unanswered will always be more important than those which are.

We federated over a hundred years ago as a nation, in large measure because we perceived the need for a national defence. We did not federate because we saw a requirement for the development of massive nationally based social programs. They are critical, of course, but they have completely subsumed first purposes. Defence has a very modest share of the budget pie. Even with the intention to lift GDP share, defence outlays stay around 7.5% of the budget, moving slightly below and above that number for the foreseeable future. They are dwarfed by social spending. Yet whenever commentators reach for an example of something we could do without, it's inevitably from the Defence capital program.

So a sense of proportion is retained: in the 1980s, when I was Defence Minister, we were routinely around 8.5–9.0% of the Budget. The government averaged 2.3% of GDP in defence spending. Were we dealing with these numbers now, Defence would be \$5 billion a year better off. Yet, as the Soviets used to say, 'the correlation of forces' has shifted decisively against us. In 1987, our GDP exceeded that of the ASEAN states combined. Indonesia, alone, is passing us now.

We seized a peace dividend at the end of the Cold War, and nothing in the numbers suggests we want to seriously amend that. This is a massive constraint. We can afford no blowout in a major program. The proceeds which flow from Defence reform will be critical. None of it will be sufficient. The spread of a consensus on the vital character of the defence function has to be the ballast at least of its sustainment but also a platform for a closer look at priority.

In allied relationships, the paradox of the post-Cold War era is that we're now closer to the US than we were then. This simply reflects the transition of Southeast Asia from a post-Vietnam Cold War backwater to the southern tier of the focal point of the global economy. As the US engages Asia, it appreciates a 'muse' with an agenda less troublesome than those of their other allies.

From our point of view, access to the best American technology is now critical for any chance of an Australian capability edge in this strategic zone. This is the post 'revolution in military affairs' or 'second offset' event acting out in our procurement program. It took effect in the early 1990s. We spend \$13 million a working day in the US defence industry. The Australian Embassy in Washington DC manages over 400 foreign military sales programs. To cite one example of the fruit of this, one could point to the most effective air defence of our approaches we have ever had. For surveillance—satellites, over-the-horizon radar, AEW&C aircraft, P-8 antisubmarine aircraft. For sustaining the effort—inflight refuellers. For strike and interdiction—classic Hornets, Super Hornets, Growlers and F-35s. It's all American or American origin.

Both globally and regionally, our strategic situation has deteriorated. We confront a fraught situation in the Middle East, where we support fragile local allies struggling with the fundamentalist extremist side of a confessional dispute in the Muslim community. We do so because our American ally is there, we have been engaged in Iraq and Afghanistan and we know that, although this aspect of the struggle is local to the Middle East, it's global in impact. There's a real possibility of its intensification in the region where the bulk of the world's Muslims reside—Asia. Though there's no good reason for it, Russia determines a course dragging the US back to a European confrontation. China ignores the sage advice of Deng Xiaoping and persists in a challenge around its maritime borders. Global events, particularly the impact of climate change, tease out a multiplicity of conflict scenarios. Development issues in poverty-afflicted nations, particularly when governance and corruption issues arise, intersect with other destabilising trends. These are intellectually more challenging than a simple reflection on defending our approaches. They make prioritising force structure issues very hard and, the 2016 DWP unsatisfactorily resolved this by making handling all challenges of equal priority.

In the next few years, this will be less of a challenge to defence policy than the impact of a further technological revolution in defence equipment. The so-called 'third offset strategy' is well underway. Artificial intelligence, autonomous systems, direct energy weapons, and applications of those changes in space and underwater systems in particular, disturb not only our priorities but the viability and relevance of some very expensive platforms. One wonders, for example, about the long-term prospect of SEA 1000 when strides seem at last to be made on the use of autonomous systems in underwater detection. Directed energy weapons render potent a lesser platform than the US normally operates at sea. Ballistic missile defences are becoming more viable and, from an American point of view, more important. The new systems, if affordable, trump most capacities for regional asymmetric warfare. Down this road goes obsolescence of a lot we plan on and a premium on the American relationship. Assuming that the US sustains its global stance with its voting community supporting it, increasingly our conversation will be not so much about interoperability but about integration. The US will increasingly rely on using the capacities of others as it confronts the costs of replacing platforms, supporting personnel and introducing new weapons.

As the chapters which follow demonstrate, future defence planning will be massively more complex than has appeared to be the case with the 2016 DWP. And more expensive. We face a major strategic challenge for our national budget: can we sustain hybrid European levels of social provision and a hybrid American taxation system? We can't and we won't face it. Unless we do, one wonders how we tease out of the budget what really ought to be our first order priority—the resources to sustain the means of our survival.

FOREWORD ON NATIONAL SECURITY

Tobias Feakin

The modern globalised world has prompted changes in the nature of international power. It has diluted the sovereign power of national governments, deepened interdependence across borders and empowered a widening range of actors on the world stage. We can see this in the strategic influence now possessed by terrorist organisations, transnational criminal networks, large corporations, issue-motivated groups and non-government organisations. This has altered the key challenges governments face in the pursuit of national security.

Australia's approaches to cybersecurity, counterterrorism and border security have all been updated in the past three years, and the new government will need to further build on recent adjustments to adapt to this threat landscape.

Technology has been an enabler of this change in power dynamics, with both positive and negative results. The 24-hour media cycle, social media and a range of modern communications technologies have boosted global connectivity exponentially. As a result, the political, economic and social aftershocks of events on the other side of the globe can be felt acutely here in Australia, placing pressure on policymakers to respond rapidly in a way unheard of 30 years ago. Advanced, networked societies such as Australia have to be aware that they are more vulnerable to disruption, and that even modest methods of attack can lead to cascading failures in government, business and society. This requires security planners to prepare and train for the worst, strategically target risks and work with allies, the private sector and society to anticipate and prevent threats before they become acute. In essence, we should be investing in national resilience, so that the impacts of any security breach on the public can be minimised.

For the Defence organisation, important decisions about capability and planning are many years in development and have strategic space in which to evolve.

Compare that with the situation of the agencies that are delivering broader national security—the federal and state police, intelligence agencies, border agencies, health agencies and others that work under a continual service delivery model. Their ability to take a longer term view is limited as they work on a daily basis to secure the borders, to counter terrorism and serious organised crime, or to create resilience against pandemic disease and natural disasters.

Those are the security issues that affect society and the economy most frequently; they mean that society and the private sector are as much part of the solution as the agencies that are pressured to respond. There's no escaping the reality that this requires a shift in thinking, from an expectation that the state holds all the emergency solutions to the increased resilience and self-reliance of communities through education, training and private sector partnerships. Investments in these areas of national security can have economic benefits, as they increase markets' and people's confidence in the nation.

Over the past three years, the national security situation in Australia has evolved, as have the policy responses examined in this report. Most recently, the new Australian Cyber Security Strategy released in April 2016 invested \$230 million to enhance operational capability and for new initiatives to boost broader program work in this vital area of national security. The Australian Government hasn't invested in this area since 2009, so it's well overdue. The threats and risks in cyberspace won't diminish—they are growing in pace, scale and reach; if Australia is to grasp the opportunity to mature our economic offering in cyberspace, we must invest in our cybersecurity.

We've seen an evolution in the terrorist threat faced on these shores. The threat has changed both qualitatively and quantitatively over the past decade.

Currently, around 110 Australians are fighting in terrorist organisations in Iraq and Syria, up to 59 have been killed and 40 have returned. There's been concern that those returning will be battle hardened and have combat skills that could be used on Australian targets.

However, 177 Australian nationals have been prevented from leaving for Iraq and Syria, so there's another problem: those who want to fight but can't leave. This places intense pressure on the security agencies tasked with keeping tabs on those who are becoming involved, those on the periphery and those who wish to carry out an attack, and with telling them apart.

Along with a raft of new counterterrorism legislation, \$640 million has been invested since 2014 to boost our counterterrorism capabilities. The response to terrorism is multifaceted and demands broader societal and private sector investment to counter the long-term threat posed by terrorism.

The protection of Australia's borders has always been a central tenet of government policy, and we've seen greater centralisation of border security responses during the term of the current government. In July 2015, the functions of the Australian Customs and Border Protection Service were merged to create the Australian Border Force within the Department of Immigration and Border Protection. Creating a border regime that weeds out security threats effectively while using new technologies to smooth the legitimate entry of people, goods and services will be a core aim over the next decade. There's no doubt that border-related issues will be a hot issue during campaigning for the July election campaign, and will continue to be for the incoming government.

This report examines these issues, as well as the key law enforcement challenges for the next government and the likely risks of natural hazards and responses to them. Policymakers would do well to read the writers' recommendations closely.

Over the next three years, it would be good to see the Australian Government more clearly delineate operational roles and relationships between these agencies and the defence portfolio, as they currently appear disjointed. Increasingly, our alliance partners bridge the gaps between agencies in their policy and internal structures to create a more coherent understanding of how all of the different arms of government join to deliver national security.

The Australian Government should do the same to deliver national security more efficiently. At a time when fiscal constraints are tight, this could also help us to get the greatest financial benefit from the various departments and agencies operating in the national security space—the biggest bang for our buck.

1 THE STRATEGIC AGENDA

Peter Jennings

Key recommendations

- Step up efforts to defeat the Islamic State in Iraq.
- Modernise how we manage our alliance with the US.
- Prepare the ground for submarine nuclear propulsion.
- Promote a defence export base for industry.

In the August 2013 version of *Agenda for change*, I suggested four big reforms for the incoming government:

- Develop a global rather than Asia-centric foreign policy focus, set it out in a new Foreign Policy White Paper and increase Department of Foreign Affairs and Trade (DFAT) funding by \$100 million a year by reducing AusAID funding.
- Return order and consistency to defence planning by reconciling ambitious equipment plans with budget realities.
- Rethink approaches to cybersecurity by committing to a Cyber Security White Paper within 12 months of taking office, and boost cyber policy and decision-making capabilities.
- Take a more disciplined approach to using the cabinet for decision-making. Rethink the roles of junior ministers and strengthen the use of parliament to help produce better quality policy.

As we approach the 2016 election, how did my recommendations fair over a tumultuous first term for the Coalition government? I'll claim one 'half done' reform, two substantially implemented and one that didn't even make it out of the gate.

The foreign policy recommendation stands as 'half done' in my view. The government has clearly adopted a more global as opposed to an Asia-focused foreign policy. While the tone has changed, Tony Abbott and Malcolm Turnbull both championed closer Australian engagement with Europe, partly because of the need for closer counterterrorism cooperation, partly to diversify economic interests as Chinese growth slowed. It wasn't coincidental that Germany was an early visit destination for Malcolm Turnbull, given his commitment to innovation and new ideas driving economic growth. There's been a remarkable increase in cooperation with European countries on intelligence, defence and counterterrorism matters, and the decision to buy a French-designed submarine will transform that bilateral relationship as we learn to deal with a French 'parent navy.'

Government continues to put priority on military operations in the Middle East and on the US alliance, and has shown refreshing interest in emerging relationships in Africa (minus an effective aid program, though) and Latin America. It turns out that Australia can take a more global approach and still keep the closest engagement with Asia. This isn't an 'either/or' choice, even though many foreign policy 'Asia only' advocates insist that it is.

Implementing a grown-up, globalised foreign policy is a signal achievement for Foreign Minister Julie Bishop, who has managed to increase Australia's foreign representation overseas—the first such growth of overseas missions in more than 20 years. Bishop has also affectively linked Australian aid priorities towards broader foreign policy goals by bringing AusAID into DFAT. She has also made effective use of multilateral institutions and promoted quality people-to-people linkages through her New Colombo Plan training scheme.

With these successes, it's puzzling that government hasn't committed to a new Foreign Policy White Paper. Julia Gillard's *Asian Century White Paper* was rightly committed to the electronic archives, but nothing credibly and crisply sets out the government's foreign policy priorities has replaced it. It should be an easy task for a returned Coalition government to develop such a policy statement. Diplomacy without the underpinnings of an articulated strategy is a bit like improvised theatre: creative, but soon forgotten. If Julie Bishop stays as Foreign Minister, she should tell us in a White Paper what the government's foreign policy stands for. A Labor government should want to do the same. Tanya Plibersek as foreign minister will need to set out her own thinking on foreign policy priorities, establish lines of continuity to past Labor approaches and work out what policy settings from the past three years to keep and what to change.

Of my other suggestions, the cyber policy statement was released in April 2016. Better late than never, although delaying such a paper for years hardly suggests that the bureaucracy 'gets' the need for speed in dealing with the fast-changing cyberworld. The policy is solid, and unexpectedly revealed that Australia maintains a capacity to mount 'offensive' cyber operations. In a difficult fiscal environment, money has been found to support closer engagement between government and the business community on cyber matters. Expectations of further policy development in this area are high, particularly given Turnbull's deep understanding of telecommunications. The need for a strong cyber policy and better whole-of-government implementation is greater now than three years ago, so rapidly is the area developing.

The *2016 Defence White Paper* (2016 DWP¹) fully delivers on the recommendation to align Defence equipment plans with budget realities. Both the government and the opposition remain committed to lifting defence spending to 2% of GDP. The White Paper is better costed of all its predecessors. Via a circuitous path, the government has finally landed on a long-term commitment to continuous shipbuilding in Australia, so we can finally pack away the wet dreams of dry zealots about shipping defence industry offshore. Of course, the believability of the 2016 DWP is tied to the government's spending commitment in what we all know is a worsening budgetary situation. But what policy isn't tied to future spending decisions? At least the White Paper will show us when future governments change course.

As for my final recommendation about government taking a more disciplined approach to using cabinet for decision-making... well, what could I have been thinking! Readers wanting to see how far I was off the mark should consult Laura Tingle's *Quarterly Essay*, 'Political amnesia', Niki Savva's book, *The road to ruin* and a slew of memoirs from Labor's shell-shocked casualties of the Rudd–Gillard–Rudd era to see how disastrously cabinet government has run off the rails. Blame the 24/7 media cycle. Blame battalions of staffers relentlessly texting each-other. Blame tweeting internet trolls, twerking populists and ranting radio shock jocks. Blame a 'responsive' rather than a thoughtful Australian Public Service. Just don't expect a return to the calm nostrum that good process makes good policy.

At worst, the future of policy looks more like Donald Trump than John Howard. That should profoundly worry anyone who cares about the idea of government producing considered policy. It remains true the best way forward for government is the intelligent use of cabinet processes, the orderly working of parliament and its committees and a public service with spine and a commitment to policy excellence rather than just 'issue management'. An explicit and believable commitment to return to methodical policy development should be the most fundamental policy goal for any future Australian Government.

New policy challenges

Beyond completing, or indeed starting, on the policy objectives outlined above, I suggest four big national security goals for the Australian Government after the 2016 election.

- Step up efforts to defeat Islamic State in Iraq.
- Modernise how we manage our alliance with the US.
- Prepare the ground for submarine nuclear propulsion.
- Promote a defence export base for industry.

None of these tasks is necessarily easy, and all are potentially controversial. Hence the need for careful policy preparation, a focus on explaining a public case for each initiative and a commitment to making each initiative as bipartisan as possible.

Defeat the Islamic State in Iraq

The last quarter of 2015 and first quarter of 2016 brought some progress in the military campaign in Iraq and Syria against the Islamic State (IS). At the cost of virtually flattening the town, Ramadi was retaken by Iraqi forces in December 2015, although it will take months to locate and defuse the many improvised explosive devices that IS left in the rubble. Some half a million of the town's 1.5 million residents have been displaced. Australian forces trained the Iraqi Army's 76 Brigade, one of the more effective military units that helped retake the city. Prevented by government direction from accompanying their Iraqi trainees into the fight, the ADF trainers reportedly directed air strikes and used mobile phones to advise on tactics as the battle unfolded.²

IS is under pressure in Iraq and Syria and has lost control of significant territory. Coalition air strikes—around 11,880 as of late April 2016³—have killed thousands of IS fighters, including some senior leaders, and destroyed huge numbers of vehicles, weapons and buildings and large quantities of ammunition. Contrary to the background briefings of US and other coalition officials, this doesn't mean that IS is being defeated, but it is being weakened. As a result, the group is changing tactics, most particularly by expanding activities in North Africa and by launching carefully planned terrorist attacks in Ankara, Istanbul, the Sinai, Paris, Jakarta and Brussels. Smaller scale attacks by individuals who received encouragement, inspiration and occasionally direct assistance from IS have taken place in multiple locations, including in Australia.

It shouldn't come as a surprise that a military strategy designed to apply a form of slow strangulation to IS's strongholds in Iraq and Syria would ultimately force a change of tactics from the terror group. IS's production of propaganda continues unabated. Its capacity to recruit large numbers of individuals has been weakened—in October 2015, for example, it declared an amnesty for deserters—but it still seems able to recruit many seeking death as suicide bombers. If, in the second half of 2016, Iraq and its allies seek to take further territory from IS, we should expect that the group will resist with utmost determination and try to break the coalition's will by staging more terrorist attacks around the world.

In reacting to the March 2016 attacks in Brussels, Malcolm Turnbull was correct to say:

ISIL's ability to inspire, let alone direct, terrorism around the world will be largely eliminated if its so called caliphate is decisively defeated in the field. Its defeat requires both military force and a political settlement and we are working with our allies to deliver both.⁴

Turnbull's argument makes it clear that this is the moment when the international coalition should be increasing military pressure on IS in Iraq. That seems to be the unstated purpose of the steady increase of American military forces in Iraq. While the Obama administration is reluctantly and very belatedly accepting that larger numbers of trainers, special forces and others are needed in Iraq, Australia should be encouraging Washington to the view that delaying a decisive fight against IS will only produce more terror attacks in Europe and elsewhere.

The Turnbull government has made the case that Australia has deployed the second largest military commitment to the coalition operation against IS. But this isn't a credible justification for failing to do more, particularly at a time when the terror group is (arguably) weakening. The next Australian Government should increase its military commitment to the operation and use its prominence in the international coalition to argue that other countries, especially the US, should urgently do more in the interests of finishing the fight quickly.

The following options for an increased Australian defence commitment should be considered:

- Allow the current training contingent to accompany their Iraqi trainees into combat operations. This clearly involves greater risk, but of a type that our forces experienced in Afghanistan. Accompanying the Iraqi units will maximise their combat effectiveness against IS.
- Deploy an element of Australian special forces with their US counterparts to undertake shared operations. Again, this would be similar to the Afghanistan experience.
- Deploy additional personnel and Air Force assets that can be used to assist in targeting for the air campaign.

The next 12 months should be treated as the decisive period in the international coalition's campaign against IS. Success will require destroying much of IS's leadership group and pushing its forces out of Mosul. That would weaken the group's capacity to fund its operations and plan global terror attacks, and smash the impression of invincibility that strengthens its social media campaign. A failure on the part of the international community to prosecute a more aggressive campaign will give IS the breathing space to reshape its propaganda, recruiting and terrorist attacks.

Defeating IS won't fix Iraq, but it at least removes the single biggest threat to the country's future as a sovereign entity. Syria is a different and vastly more difficult problem. If IS can be prised out of Mosul, it's probable that numbers of its fighters will return to Syria. Sadly, there's no solution to Syria's agonies in sight. Bad as that reality is, it shouldn't prevent a more decisive attempt to improve Iraq's situation.

Modernise ANZUS alliance management

A striking feature of the 2016 DWP is the extent to which it seeks to profoundly deepen alliance cooperation with the US. Australian official strategic thinking judges that the US's presence in the Asia-Pacific is central to the region's future stability. The US is even more central to the military capabilities of the ADF. The 2016 DWP says:

Around 60% of our acquisition spending is on equipment from the United States. The cost to Australia of developing these high-end capabilities would be beyond Australia's capacity without the alliance. (Para. 5.21)

Australia-US cooperation is planned to expand in activities related to maritime surveillance, intelligence and reconnaissance; antisubmarine warfare; space; ballistic missile defence; cybersecurity; special forces; air combat capability; and electronic warfare. The White Paper also anticipates closer trilateral cooperation involving the US and third parties, most particularly Japan. The 'enhanced cooperation agenda' with the US Marine Corps and US Air Force continues to grow in northern Australia, notwithstanding the policy snafu of leasing key parts of the port of Darwin in late 2015 to a Chinese company for 99 years and failing to advise the US of that move.⁵

It's clear that Australia's approach to the US involves a doubling down of the priority put on the alliance relationship. This is a rational and predictable outcome resulting from the Asia-Pacific region becoming riskier and facing greater strategic competition. Beyond this, it also reflects the only financially possible way for Australia to maintain an ADF based on high-technology equipment. Absent the alliance, we could double our defence spending and still have a significantly inferior ADF if we didn't have access to American intelligence, technology across all military capabilities, and the capacity to train with the US military. Of course, there are those who claim that Australia should make itself more independent of the US, but in international security 'independence' is a synonym for irrelevance. To be able to credibly defend our interests, we need the military capabilities that come from the alliance.

The growing degree of Australian defence reliance on the US means that our governments must invest heavily in sustaining the relationship. We must ensure that our voice is heard in Washington DC, and our ability to be heard is based on strengthening American perceptions that the alliance also benefits the US. Australia must avoid being thought of as a security 'free rider', and we must work to reinforce the view that we bring valuable ideas and capabilities to shared security problems.

The next Australian Government should consider whether the current structures for top-level official and political consultation with the US are adequate to meet the increasing demands being put on the alliance.

The next Australian Government should consider whether the current structures for top-level official and political consultation with the US are adequate to meet the increasing demands being put on the alliance. In reality, there's almost no decision-making 'machinery' for the alliance. The Foreign and Defence ministers meet their US counterparts annually, typically for a fairly easy day's consultations. A handful of top-level meetings involving military and civilians provide a way to agree the agenda for annual cooperation. A great strength of the alliance is the ease of communication between the defence and intelligence establishments of the two countries, facilitated by a small number of seconded staff and many visits and phone calls. In my experience, this is a great way to facilitate what might be thought of as 'steady state' cooperation, but it's less effective in driving change and innovation in the relationship, as can be seen from the less than rapid or smooth negotiations of the greater US presence in northern Australia.

What might a 'modernised' alliance relationship look like, in terms of the machinery needed to deliver the vast array of cooperation planned in the 2016 DWP? A number of possible steps should be considered. First, a Defence Minister – Defense Secretary meeting should be instituted between AUSMIN ministerial meetings to drive the defence-specific parts of the relationship (which represent the most substantive part of the bilateral AUSMIN agenda). Australian defence ministers should ensure that they are regularly travelling to Washington for talks not simply in the Pentagon but also engaging the congress and the think-tank establishment.

Second, a joint Australia–US AUSMIN secretariat should be established, working out of the two countries' defence departments. The secretariat would be given charge of developing new policy options for alliance cooperation, identifying and eliminating barriers to closer cooperation, and reporting to government a shared assessment of progress in implementing the 2016 DWP's alliance initiatives.

A third step to enhance cooperation would be for the two countries to jointly audit the level of interoperability between their military forces. The aim of the audit would be to ensure the closest level of practical connectivity between the militaries, identify barriers to cooperation and ensure that future interoperability opportunities are taken up.

Intensified alliance cooperation will undoubtedly require intensified alliance management and a strengthening of points of contact that help Australia to influence US strategic thinking. Ultimately, any decision to work bilaterally on military operations will be a matter for governments of the day to decide. Australia and the US can and do differ on security policies from time to time, but we can't afford to take the closeness and effectiveness of the alliance for granted. We're the smaller ally, so the onus will always be on us to make the best case in Washington DC to sustain America's commitment to our security interests.

Prepare for submarine nuclear propulsion

It's been an article of faith since the 2009 Defence White Paper that Australia's next submarine will be conventionally powered, using a combination of diesel and electric propulsion. Although geography imposes a unique requirement for our submarines to have extended range, nuclear propulsion (which essentially gives submarines unlimited range) has been off the agenda for political reasons. That's unfortunate, because the capabilities required for our future submarine would in many respects be better performed by nuclear-powered boats. Readers will appreciate the irony of Australia selecting the French-designed Shortfin Barracuda—a nuclear submarine that will be adapted to conventional propulsion.

It may be that community thinking on nuclear power is changing. The South Australian Government is conducting a royal commission into the nuclear fuel cycle. In particular, the royal commission is examining the viability of expanding mineral extraction, processing and manufacturing, the use of nuclear fuels for electricity generation and the disposal of nuclear materials.⁶ Waste storage may offer a valuable industry for South Australia if safety issues can be properly addressed. In the defence field, the expert panel that advised the Australian Government on the 2016 DWP found in its 2015 community consultation that there was a strong public desire to understand the details of how nuclear propulsion might serve Australian interests. The panel recommended that the government 'identify an opportunity to explain the "pros and cons" of nuclear propulsion for submarines.'⁷ This didn't happen in the 2016 DWP, nor indeed at the announcement of the preferred submarine design, which was accompanied with a risible 13-paragraph media announcement.⁸ Unsurprisingly, a good deal of the public reaction to the White Paper and submarine design decision continues to seek further information on the issue. The 2016 DWP does, however, offer this somewhat cryptic remark:

During the long life of the new submarines, the rapid rate of technological change and ongoing evolution of Australia's strategic circumstances will continue. As part of the rolling acquisition program, a review based on strategic circumstances at the time, and developments in submarine technology, will be conducted in the late 2020s to consider whether the configuration of the submarines remains suitable or whether consideration of other specifications should commence.⁹

This could be hinting that nuclear propulsion may be considered a decade or more from now. However, no Australian Government in the 2030s or later will be in a position to adopt nuclear propulsion unless earlier decisions have been taken to prepare the ground for such a major development. In 2016, Australia has no viable option other than conventional propulsion for our future submarines because the Navy, the wider Defence establishment and Australia's industry and infrastructure are simply not at the right level of capability to crew, operate and support nuclear-propelled submarines. Nor should we assume that the US as our key ally would be willing to give us access to some of its most carefully guarded military technology without Australia first demonstrating a serious intent to operate and support nuclear propulsion systems. Getting to that point will require a sustained investment effort to build a cadre of trained nuclear technicians, industry specialists and Navy crew able to work with nuclear propulsion systems.

After the 2016 election, the Australian Government should start to scope out what steps might sensibly be taken to create a realistic option for nuclear propulsion at the end of the 2020s. A key part of this strategy should be to have an open discussion with the Australian people explaining the basis for the submarine design decision. Government should consider the following steps:

1. Commission an expert panel to evaluate necessary steps to position for a nuclear propulsion option. The panel should produce a public discussion paper setting out the challenges, risks, opportunities, financial cost and industry requirements necessary to support this technology.
2. As Adelaide is being positioned to be the centre of continuous ship and submarine construction in Australia, the federal and state governments should jointly develop a plan to strengthen university-level instruction in physics, nuclear engineering and necessary supporting sciences based in South Australia.

3. The Royal Australian Navy (RAN) should develop a training program in collaboration with the US Navy and potentially the French and UK navies for officers and other personnel involved in operating nuclear propulsion systems.
4. The Defence Science and Technology Group should do its own scoping study to determine Defence's science and technology requirements to support a move to nuclear propulsion.
5. Defence, in conjunction with other government agencies, will need to determine how to establish an appropriate safety regime to manage nuclear propulsion systems, and quantify the investment needed to make naval bases and support systems suitable to accommodate nuclear submarines.
6. Defence should discuss with the US the possibility of seconding significant numbers of RAN personnel in to the US Navy submarine arm. Beyond the nuclear propulsion aspect, this has a number of benefits: the RAN can grow its own cadre of submariners, which it will have to do to prepare for the future submarine, and we will be able to enhance alliance cooperation with the US Navy in a critical area of strategic interest to both countries.

These six steps point to the very substantial investment needed to make the capability leap to nuclear propulsion. They also point to the reasons why nuclear propulsion has been off the table for Australian Governments up to now. This is no small step. The 2016 DWP is, however, quite right to say that changing technology and strategic circumstances might well force an Australian rethink about nuclear propulsion. The responsibility of the government we elect in 2016 should be to do what's needed to enable a government in 2026 or later to make realistic decisions about nuclear propulsion.

Build a defence export base for industry

The government's 2016 *Defence Industry Policy Statement* includes a number of measures that, it's claimed, will strengthen the capacity of Australian defence industry to export:¹⁰

- A Centre for Defence Industry Capability 'will be co-led by private sector industry and Defence through an advisory board'. The centre's \$23 million annual budget is intended 'to help transform the Defence and industry relationship, and to fund new industry development, critical skilling and export programs.'
- One of the centre's programs will aim to assist small and medium-sized enterprises via access to 'a range of export programs and courses'. Expert business advisers will 'provide defence-specific business advice', including on export and international supply-chain opportunities.
- A Defence Innovation Portal will be established by the CDIC to 'help to facilitate early engagement with the Defence Export Controls Branch in Defence via the strong connections between Defence and the Portal's business advisers'.
- A 'Team Defence Australia initiative' will see retired two- and three-star military officers sent to international defence trade shows.
- The Defence Export Controls Branch in Defence 'has introduced reforms for a more streamlined, risk-based approach to export controls that provides a leaner and more responsive export control system'.

In some cases, these measures are better targeted versions of previous industry assistance programs. While more agile export approval processes and online portals are welcome, no-one should imagine that they'll transform the Australian defence industry into a major exporter. Yet that outcome is necessary to support continuous construction in the Australian shipbuilding sector. Without exports, our own defence requirements won't indefinitely sustain the throughput necessary for continuous build.

A second reason why government should support a significantly greater effort to promote defence exports is that this is a critical pathway to putting Australian firms in global supply chains. While Australian politicians talk up the importance of 'sovereign' defence industry capabilities, the reality is that companies benefit most if they can be

positioned in a global system. While the US may have the industrial strength to treat its defence industry as almost entirely 'sovereign', that option isn't open to the small Australian defence industry. Exports and international supply relationships will strengthen Australian defence industry and make the concept of continuous build in the maritime sector more sustainable.

The following policy steps should be taken to provide a significant boost to defence export capability in the coming term of government:

1. Add 'defence exports' to the job title of the Minister for Defence Materiel. (The roles of Minister for Veterans' Affairs and Minister assisting the Prime Minister for the Centenary of Anzac are important enough in their own right for this to be a separate position.) The Minister for Defence Materiel and Exports should take on a role akin to that of the Minister for Trade in overseas export promotion. The position also needs to advocate treating the defence industry as a 'fundamental input to capability'. The term is much used, but needs to force changed behaviours in the way that Defence and industry interact.
2. As an early priority, explore opportunities for New Zealand to become involved in our continuous shipbuilding plans. One of New Zealand's most pressing force structure needs is to plan for the replacement of its two Anzac frigates. As in the Anzac frigate program of the 1990s, New Zealand should be brought into the planning frames for either our replacement frigate or (more likely because of their smaller size) our offshore patrol vessels.
3. Australia should also seek to collaborate more closely with Indonesia on defence capability definition and acquisition. This was foreshadowed at the third '2 plus 2' meeting of Australian and Indonesian foreign and defence ministers in Sydney on 21 December 2015. Defence Minister Marise Payne said that the discussions reviewed defence cooperation 'in the area of counter-terrorism, of maritime security, of humanitarian assistance and disaster relief and in capability development. That goes to illustrate the depth and breadth of our relationship.'¹¹ The offshore patrol vessels or the smaller Pacific patrol boats may be suitable candidates for an export arrangement involving Indonesia.
4. Establish a number of defence industry and export positions at Australian diplomatic missions in key target markets. These positions should work closely with overseas Australian Defence representation and be expected to grow defence exports to the countries concerned.
5. Take steps to re-energise the Australia–US Defence Trade Cooperation Treaty, which provides Australian defence industry with 'opportunities to import, export, transfer or re-export eligible defence articles that support Australian or US government defence projects, military exercises, cooperative programs and equipment sustainment, without the need for individual licences or authorisations'.¹² Although a good idea, it's regrettable that industry hasn't sought to make use of the treaty's provisions because of a perception that compliance costs are too high. Given the emphasis that the 2016 DWP puts on cooperation with the US, this situation needs to be reversed. The Minister for Defence Materiel and Exports should take up the case to simplify compliance arrangements and encourage industry take-up.

Conclusion

The diversity of these four recommendations—concluding a major war, redesigning ANZUS cooperation, planning for nuclear propulsion and reorienting the Australian defence industry to export markets—shows the enormous task expected of the Australian Government. Most particularly, the Defence Minister will play a central role in delivering on these policy suggestions.

It's regrettable that since the publication of the last *Agenda for reform* paper in August of 2013 we've had four defence ministers (Stephen Smith, David Johnston, Kevin Andrews and Marise Payne) in less than 36 months. For any new policy initiative to get traction and to make a difference, we need the next Defence Minister, indeed the next

government, to prize stability in cabinet positions—in the old phrase, ‘good process delivers good policy.’ To that nostrum one might add the thought that experienced ministers who have received adequate sleep and aren’t prone to panic are the sponsors of good processes.

Australia needs these capabilities more desperately now than at any time since the end of the Cold War.

Notes

- 1 Australian Government, *2016 Defence White Paper*, 2016, Canberra, [online](#).
- 2 Cameron Stewart, ‘Ramadi: Australian special forces helped retake Iraqi city’, *The Australian*, 31 December 2015, [online](#).
- 3 US Department of Defense, *Strikes in Iraq and Syria*, [online](#).
- 4 Malcolm Turnbull, Lowy Lecture, 23 March 2016, [online](#).
- 5 I make a more detailed assessment of the alliance with the US in Peter Jennings, ‘The 2016 Defence White Paper and the ANZUS alliance’, *Security Challenges Journal*, 2016, 12(1):53–63.
- 6 See the terms of reference for the royal commission, [online](#).
- 7 Defence White Paper Expert Panel, *Guarding against uncertainty: Australian attitudes to defence*, 2015, p. ix, [online](#).
- 8 Prime Minister of Australia, *Future Submarine Program*, 26 April 2016, [online](#).
- 9 Australian Government, *2016 Defence White Paper*, paragraph 4.29, [online](#).
- 10 Australian Government, *2016 Defence Industry Policy Statement*, [online](#).
- 11 Joint press conference by Australian Foreign Minister Bishop and Australian Minister for Defence Payne, *Australia–Indonesia 2+2*, 21 December 2015, [online](#).
- 12 Australian Government, *2016 Defence Industry Policy Statement*, p. 57.

2 DEFENCE POLICY

Christopher Cowan, Andrew Davies, Malcolm Davis, Rod Lyon, James Mugg, Mark Thomson

Key recommendations

- The Australian Government needs to more clearly articulate our defence strategy and its relationship to our strategic defence interests and objectives, noting a shift away from a narrow ‘defence of Australia’ perspective towards a more ambitious, but potentially risky, global role.
- Australia needs to focus sharply on strengthening the US–Australia alliance, including by spending enough money to achieve that goal.
- The government must be ready to respond quickly and effectively if our planning assumptions in the 2016 DWP are overtaken by events in our region that demand the consideration of new ADF capabilities and increased defence spending to match.
- The government should lead the debate and make the case for increased defence spending.
- The government should promptly act on the 2015 First Principles Review’s recommendation to lift the financial threshold for capability acquisition approvals. Similarly, capability managers should also be given more funding and clear authority over the minor investment programs.
- The government should prepare for new ADF operations, ranging from low-intensity but still challenging humanitarian assistance and disaster relief (HADR) tasks in the South Pacific, through significant operational tasks in the Middle East Area of Operations and potential ADF deployments in maritime Southeast Asia—particularly in the South China Sea—that could see them involved in high-intensity military operations alongside coalition partners, to the prospect of a major operation on the Korean Peninsula.
- The government should examine ways to redesign ANZUS to strengthen the Australia–US relationship and enhance the effectiveness of the US ‘rebalance’ to Asia; it should seek to strengthen our defence relationships and profile across Asia, with a focus on Indonesia, India, Japan and China.

Defence strategy: one view

Rod Lyon

With the publication of DWP 2016, Australian defence has taken another step away from a strategy of self-reliance in maintaining the combat forces needed to defend the Australian continent from external attack—the ‘defence of Australia’ strategy first articulated in the 1970s and 1980s. Less certain is what our new defence strategy actually is. It’s not a return to ‘forward defence’ as understood in the 1950s and 1960s, since that term belongs to a particular historical era and a specific set of partners. But it’s definitely a more forward-leaning strategy, built on the idea that a successful Australian defence policy requires greater effort in a transformative Asia and greater strategic ‘depth’ in protecting Australian interests. That ‘depth’ is about more than mere geography; it also reflects an appreciation

of the more diverse array of national security instruments available to government and an understanding of the growing spread of possible threats in coming decades.

In part, those judgements have been driven by the government's recent experiences—not just the growing tensions in great-power relations, but the border-control challenges posed by people trafficking, the Ebola virus in west Africa, and the 'returning fighters' problem. All of those have given ministers a greater appreciation of the limits of a strategy of self-reliance, which does little to offer Australia a role as a net positive security contributor in Asia at a time when the regional order might well shift in ways that would be inimical to our interests.

The DWP 2016 describes current Australian defence strategy in broad terms (at para 3.2):

In response to this complex and uncertain strategic environment, the Government's strategic defence policy is to manage strategic challenges by: developing Defence's capabilities and agility to take a more active role in shaping regional affairs and to respond to developments which threaten our interests; while strengthening our alliance with the United States and developing our partnerships with other countries. (paragraph 3.2)

That's a broad—and managerial—definition of strategic policy, and it's not much clarified by subsequent paragraphs outlining Australia's 'Strategic Defence Interests' and its 'Strategic Defence Objectives'. And since all three equally weighted objectives guide the development of the future force, a capability meant to support Australia's interests in a rules-based global order is deemed to be just as important as one intended to defend a secure, resilient Australia. The reasoning behind that conclusion is set out in para 3.33, and turns upon 'the interconnected nature of the global environment and the fact that Australia's security and prosperity is [*sic*] directly affected by events outside our region and is not just linked to our geography or confronting threats solely in our maritime approaches'.

That reasoning's fine, but it implies a step away from the notion that Australia should typically deploy only limited forces to distant missions. World wars are a special case, of course, but by and large the sort of ADF deployment that Australia might make to operations like those in Somalia, or Rwanda, or Iraq, or Afghanistan, or Syria has been a finely calibrated one. Some of the strategic reasoning underlying such calibration seems to have been lost in the new defence strategy. We still have a 'concentric circles' picture of the world—Australia, the near region, the Indo-Pacific and beyond—but now it's accompanied by an argument that concentric circles don't really matter. That suggests a strategic policy in transition, away from a narrow fixation on the Australian continent and towards a more expansive role as a Top 20 nation. There's an element of strategic boldness in that shift, but a higher level of strategic risk, too. The government will need to keep unpacking its thinking in this area.

Defence strategy: a second view

Andrew Davies

Australia's defence strategy is a topic much loved by academics, and there's a rich literature about its various evolutions. The *posture du jour* was 'forward defence' in the 1960s, when Australia was exercised about communist insurgencies throughout Southeast Asia that saw the ADF deployed in Malaya, Indonesia and Vietnam. After Vietnam, we got 'defence of Australia'—effectively, a locally focused strategy gifted to us by President Nixon's Guam doctrine. The last few defence white papers have been couched in terms of geographical 'concentric circles' defining Australia's security interests and defence posture according to distance from our shores.

Not that any of those had much effect on the ADF's force structure. Regardless of the story being told, the ADF has continued to bear a remarkable resemblance to the force assembled by the Menzies government in the 1960s. Budgets have been less resilient to changes of strategic circumstance; the ADF's size and readiness slowly dwindled during the lean times of the defence of Australia era. Nonetheless, the centrepiece force elements—except for the aircraft carriers—continued on as Mirages were replaced by Hornets, the Navy's six Oberon submarines became six Collins boats, and Army moved from Centurion tanks to Leopards. Similarly, the ADF tends to expand when there's

more money. The Howard government's mining-boom fuelled largesse saw the ADF acquire a slew of capable new platforms, although with no radical departures in the force structure.

So we shouldn't put much store in the narrative description of Australia's strategic circumstance and the declaratory defence strategy at the front of white papers—the money and what it's spent on counts for more. The 2016 DWP is in many ways more of the same—there's extra money, so we'll get more of what we already have. But there's also a significant difference: this time around there's a lot more said about Australia's alliance with the US and the importance of other partners. That's in response to the strategic outlook section, which identifies as our major challenge the growing competition between major powers in 'our region' (somewhat expansively used to describe pretty much the whole of the Western Pacific and half the Indian Ocean).

While not explicit, the strategy that underpins this white paper is to keep the US regionally engaged to help balance the baleful influence of China (spoken *sotto voce*). We want the American rebalance to Asia to be real and enduring, and to help make it so we'll step up our spending to be more like a capable partner than a freeloader. The technologically refreshed and expanded ADF, developed with interoperability in mind, should work well in an alliance framework.

But there's one other thing we could do that's technically easy and will cost only a fraction of the promised \$195 billion of spending on defence capability over the next decade. Simply, we need to be better hosts to US force elements. We should stop arguing about who pays for the facilities they use in Australia and encourage them to come on down and settle in. We should stump up the cash and be grateful for the strategic bargain we're getting—a strong American presence is far better value than an extra submarine or two.

Capability risk

Malcolm Davis

The 2016 DWP's three strategic defence objectives are the basis for ADF strategy. However, there's risk that events may overtake the planning assumptions that underpin the strategy. The next government may need to be prepared for strategic shocks that demand new thinking on ADF capability development, beyond that envisaged in the 2016 White Paper. Some operational contingencies are noted below in this chapter, but clearly government must assess the impact of increasing military risks and a deteriorating strategic outlook on ADF force structure planning. Two key risks will be any acceleration of the pace and scope of Chinese military modernisation and a greater Chinese willingness to undertake coercive activities in the South China Sea or beyond; and the risk that the US rebalance to Asia will be stillborn under a prospective Trump administration. Either would challenge the planning assumptions underpinning the latest White Paper.

In terms of specific capability risks, the most immediate is the risk of a 'fighter gap' if the F-35A Joint Strike Fighter doesn't achieve initial operating capability with the RAAF on schedule in 2020 due to ongoing development problems, given that the 'classic' F/A-18A/B Hornets begin to retire from 2022.

ASPI recommends that planning begin no later than 2018–19 on a contingency purchase of an extra tranche of F/A-18E/F Super Hornets if such a gap looks like emerging.

Looking further ahead, we should also seize the opportunity to participate in the development of a next-generation air combat capability (that is, platforms and systems that are beyond the F-35), which is now under consideration in the US. This could be done in the context of the requirement for replacing the F/A-18F Super Hornet in the 2030s (2016 DWP, paragraph 4.42). An interesting development, and one worth watching, is the current effort in the US Congress to restart production of the F-22 Raptor fifth-generation fighter. But the decision on the F/A-18F Super Hornet replacement could also suggest that advanced unmanned systems be considered, or additional F-35s be procured. Debate over this issue is certain to intensify in the next term of government.

Turning to naval capabilities, there's a strategic disconnect in current planning for acquiring 12 DCNS Shortfin Barracuda conventional submarines: the last boat is to be delivered by 2049, even though the strategic outlook posited in the 2016 DWP suggest a requirement for a more rapid acquisition.

Given the financial, maintenance and sustainment problems associated with the rolling acquisition of 12 new submarines at an average build rate of one every 18 months, ASPI recommends forgoing a rolling acquisition program and instead producing new boats at one-year intervals, while retiring the Collins-class submarines earlier than 2040.

ASPI notes that the conventional Shortfin Barracuda design is an adaptation of the nuclear-powered Barracuda SSN, and believes that it would be useful to examine our options for an eventual transition to nuclear powered and propelled submarines. That analysis needs to begin soon.

Some other capability issues that will need to be considered in the next term of government include:

- whether continuous acquisition in naval shipbuilding will be cost-effective, given the size of the RAN
- whether there are ways to effectively sustain this process, given the life-of-type of modern naval surface combatants
- whether Australia should proceed to acquire a ballistic missile defence capability, given North Korean (and Chinese) ballistic missile developments
- how we can respond to an increasing threat posed by adversary counter-space, cyberwarfare and electronic warfare capabilities that could erode the effectiveness of key capabilities such as the F-35s, the air warfare destroyers and the future frigates
- the implications of a greater ADF requirement for a more comprehensive maritime domain awareness in Australia's maritime approaches.

Of course, with risk comes potential cost. The notional 2% GDP defence spending target may bear little relevance to reality if some or any of these challenges emerge. The risk of a more adverse strategic outlook, together with risks associated with specific projects, and the possible need to introduce new capabilities may mean that the aspirational ceiling of 2% GDP on defence should become a mandatory floor—and work up from there! The question that must be answered quickly is 'how much is enough capability, given the demands of our strategy'?

Defence funding

Mark Thomson

Now that we have a bipartisan commitment to the funding promised in the 2016 DWP, all that remains is to find the money. Any attempt to fudge the issue will be immediately obvious thanks to the White Paper's explicit decade-long funding guidance. There's a lot at stake. The planned modernisation and expansion of the Defence force are critically dependent on growth in funding. Just as seriously, reneging on the promise to spend 2% of GDP would send a disastrous message to our allies and security partners—especially given our failure to deliver the funding promised in the 2009 Defence White Paper.

There are many competing demands on the public purse. Australians expect the government to provide high-quality health and education services and a robust safety net to support individuals dealing with the economic risks of modern life. Those are legitimate expectations that no government can afford to ignore. However, unlike in other areas of government spending, the federal government bears sole responsibility for Australia's defence under the Constitution. Moreover, although individuals can make up for shortfalls in most government services by turning to the private sector—for example, by purchasing private health insurance—no such option arises in the case of defence. Consequently, if the federal government doesn't properly prepare Australia's defences, we'll have to live with the vulnerability. For this reason, there's a strong argument for treating defence spending separately from other areas of government expenditure.

None of that will make it easy for future governments to find the additional money that's been promised to Defence. If all goes to plan, by 2025 defence spending will be more than 40% higher in real terms than today. Over that same period, there'll be pressure to reduce the Federal debt—another area where the federal government bears sole responsibility. To make matters worse, there's limited and declining public support for increasing the defence budget. The results of the 2013 Australian Election Survey are illustrative: 78% of respondents approved of increased health spending, 69% approved of increased education spending and 65% approved of increased spending on the old age pension, but only 27% approved of higher defence spending.

Absent a clear deterioration in the strategic environment, public support for higher defence spending won't emerge spontaneously. Similarly, announcing major defence projects as if the purpose is to create jobs will only garner electoral support among the narrow sectors that benefit. If plans for a stronger and larger defence force are to become reality, the public will have to be convinced that the sacrifices they are making in higher taxes, reduced services, or both, are worth the pain. The government needs to make a concerted effort to explain why we need to increase defence spending at this time. As in any area of government policy, major change requires strong leadership.

Recommendation: The government should lead the debate and make the case for increased defence spending.

Defence reform

Mark Thomson

Defence is a little over halfway through the planned two-year implementation of the 2015 First Principles Review (FPR) of Defence. Despite some delays, the program is broadly on schedule, and 36 of 69 recommendations are now completed. (A critical analysis of the FPR written shortly after its release is in the ASPI report, *One Defence: one direction?*, April 2015.)

In contrast to past Defence-wide reform programs, the FPR isn't focused on generating multi-billion-dollar savings, although some moderate efficiencies might emerge in the medium term. Instead, the FPR is designed to make the organisation run more effectively, especially in its governance and equipment acquisition. In practice, the FPR entails a major reorganisation of the bureaucratic machinery in Canberra, including redesigned processes and administrative policies.

There's no single best way to structure a defence organisation. Any arrangement comes with a mix of advantages and disadvantages. On balance, most of the new arrangements heralded by the FPR are neither manifestly better nor worse than the pre-existing structure. Many things will change, but whether the changes are for the better depends on the acumen with which they are implemented. Fortunately, the Defence leadership appears to be both enthusiastic and determined to make the reforms a success.

Nonetheless, challenges exist, especially when it comes to the planning, approval and execution of major capability acquisitions. Not only are the reforms in this area more substantial than elsewhere, but the volume of additional work flowing from the 2016 DWP is prodigious.

The old quasi-independent Defence Materiel Organisation has been reabsorbed into Defence proper and re-established as the Capability Acquisition and Sustainment Group. At the same time, the old Capability Development Group has been disbanded and its responsibilities divided among the three services and the Vice Chief of the Defence Force group. The details of how the new system will work are still being worked out. Meanwhile, capability investment is set to more than double over the next 10 years, including through the complex and risky future submarine and frigate programs. And, while the FPR has resurrected a contestability function to counterbalance the otherwise wholesale transfer of capability planning to the single services, the function is sparsely staffed and inexperienced.

Even without the redesign of the capability development process, the back-end loading of capital investment towards the latter half of the next decade would have created challenges of its own. The last time sustained investment growth was attempted, back in the 2000s, hundreds of millions of dollars was handed back because neither industry nor Defence could manage the increase. The result was an invidious cycle in which funding eroded in tandem with confidence that money could be spent. With Defence's fundamental processes in transition and investment growing rapidly, there's a risk that history will repeat itself.

One way to mitigate the risks of mounting delays would be to move quickly on the FPR recommendation to lift the approval thresholds for major projects so that fewer have to be considered by the National Security Committee of Cabinet. Doing so would both expedite the delivery of the future force and allow the committee to focus more on the larger and more strategic acquisitions scheduled over the next several years. Another useful reform would be to increase funding for the single-service minor investment programs and give the capability managers full control over these low-risk initiatives.

Recommendation: The government should promptly act on the First Principles Review's recommendation to lift the financial threshold for capability acquisition approvals. Similarly, capability managers should be given more funding and clear authority over the minor investment programs.

Australia's regional military environment and operational commitments

Christopher Cowan, James Mugg

Humanitarian assistance and disaster relief

Australia's near neighbours have already been subject to natural disasters in a variety of forms in the 21st century, including earthquakes, tsunamis, cyclones, typhoons and more. The ADF is a critical component of Australia's HADR capability, and personnel from all three services have been deployed on HADR operations.

Operation Fiji Assist 16 included the first operational deployment of the RAN's HMAS *Canberra* landing helicopter dock, enabling equipment delivery by helicopter and amphibious transport. The RAAF's C-17 Globemaster and C-130J Hercules transport aircraft delivered personnel and supplies, and an AP-3C Orion surveillance aircraft was used for damage assessment. Australian Army engineers and helicopter pilots also contributed to relief work, bringing the total ADF deployment to around 1,000 personnel.

ADF personnel have in recent years deployed to Nepal, Vanuatu and the Philippines, and domestically for disaster relief operations. The likely need for future HADR operations in the Pacific is extremely high.

Middle East Area of Operations

ADF personnel have been operating continuously in Afghanistan since 2001 and in Iraq since 2003. Although current levels are more limited than they have been in the past, regional conflicts are far from resolved, and more significant operational commitments may be required in the future.

Operation Highroad is the current ADF contribution to the NATO-led training and assistance mission in Afghanistan, known as Resolute Support. There are currently around 250 ADF members deployed in-country. Conflict persists in several regions as Taliban- and Daesh-affiliated groups fight against the state—and each other. There's potential for greater conflict, which could require increased operational commitments from NATO and allied forces such as the ADF.

Operation Okra is the current ADF contribution to the international coalition against Daesh. It consists of around 780 deployed ADF personnel:

- 300 ADF are working with the Iraqi Security Forces in training and support roles
- 80 Special Operators are in advisory and assist roles
- 400 personnel in the Air Task Group operate six F/A-18 Hornet fighter jets, an E-7A Wedgetail and a KC-30A refuelling aircraft. The group has flown hundreds of sorties over Iraq and dozens over Syria in the fight against Daesh.

The ADF contributions in Iraq and Syria are likely to be the ADF's most significant operational commitments for the next few years at least. This conflict could escalate significantly as the security situation changes, in which case coalition partners such as Australia would probably be asked to contribute even more.

Maritime territorial disputes in East and Southeast Asia

Maritime territorial disputes in the East China and South China seas are issues of concern that may require the deployment of ADF vessels and aircraft if the Australian Government deems it in the national interest. Of particular concern is the increasing assertiveness of China in defence of its maritime claims in the region.

The ADF may be required to maintain a naval and air presence in the region in response to developments in these disputes as a deterrent to challenges to the current regional order. Freedom of navigation operations, either independently or with the US, would be an important method of maintaining such a presence. Those operations aren't resource-intensive and require limited RAN or RAAF assets, such as an Anzac-class frigate or an AP-3C Orion maritime patrol aircraft. The deployment and sustainment of a small number of maritime assets in the region is well within the ADF's capabilities.

There's potential that these disputes, especially between the US and China, could spiral into conflict and involve Australia. Australian vessels operating with US forces in the region, as well as US forces stationed in Australia, would be at considerable risk of being attacked.

High-end conflict

North Korea's growing nuclear arsenal and increasingly threatening rhetoric towards South Korea make the Korean Peninsula the most likely critical flashpoint for prolonged, high-end conventional conflict in Australia's region. In the event of an inter-Korean conflict, Australia may be asked to provide combat assistance to South Korea and the US on short notice. Should Australia accede to that request, it would be able to provide assistance using all three branches of the ADF.

The deployment of an Army combat unit to the Korean Peninsula is within the ADF's logistical capabilities. Such an action is dependent on the availability of the ADF's strategic sealift and airlift capabilities. The sustainment of the deployment would tie up a significant portion of those capabilities for some time, and the ADF would be reliant on US logistical assets to some extent.

The deployment of RAN vessels, specifically Anzac-class frigates, Collins-class submarines, or both, is also within the ADF's ability. The RAN has demonstrated the ability to deploy vessels overseas for prolonged periods, and the proximity of the conflict to friendly bases makes the sustainment of RAN operations significantly easier.

The RAAF could make a significant contribution to coalition operations on the peninsula. The deployment of fighter aircraft, tanker and AEW&C aircraft, maritime patrol aircraft and supporting logistical capability is within the ADF's ability. However, an RAAF deployment of this scale hasn't been undertaken since Operation Falconer in 2003, and so entails some operational and sustainment risks.

Defence diplomacy

Rod Lyon

The 2016 DWP embraces defence international engagement as a core function. And it's no wonder, as two major areas of defence diplomacy will have an important effect on Australian security in coming years. The first concerns our defence diplomacy with the US, because our major ally is rebalancing and repositioning in Asia. The second concerns our defence diplomacy with key regional states: intra-Asian defence engagement has entered an era of expansion.

The Obama administration cast its Asian policy as a 'rebalance'. It's not clear what a successor administration might make of that policy. We would expect a Clinton administration to continue—and perhaps even to expand—the broad thrust of US strategic engagement with Asia. That would mean new opportunities for closer Australian defence cooperation with the nation's major ally. A Trump administration, on the other hand, would be less predictable. Already, some of Trump's statements suggest that allies will be expected to carry more of the load. And his suggestion that Japan and South Korea could go nuclear on his watch is, frankly, startling. Moreover, there are some who argue that the forces of nationalism and isolationism that Trump is stoking in America might constrain the freedom of action of a Clinton administration more naturally drawn towards international engagement.

Still, Australia should proceed on the assumption that US rebalancing and repositioning in Asia is driven by deep currents that won't easily be deflected. We should be proactive in exploring the opportunities those currents provide. At the heart of US repositioning sits a larger US engagement in and around Southeast Asia, and that will mean a much greater intersection of US and Australian strategic interests in areas near to Australia. Those interests might well be the basis for a stronger ANZUS in coming years—but one consequence of a greater US role in the region will be a different set of expectations in Washington about what Australia should bring to the alliance. The more Australia is seen by the US as a frontline state, the greater those expectations will become.

The effort to redesign ANZUS for the 21st century needs to be complemented by a similar effort to build Australia's defence profile across Asia. Intra-Asian defence cooperation has only a weak history, but opportunities are growing rapidly as the region takes on a more multipolar hue. Within the region, we should be nurturing defence relationships with Indonesia, Japan, India and China, although the list of potential strategic partners is much longer, and includes almost all states in the region.

Closer Australian–Indonesian defence ties will require both sides to look past second-order differences and focus on shared regional interests. The prospects for that are good, and the rewards potentially great.

Japan's a special case because, more than other regional countries, it brings substantial defence capabilities to the table. Its willingness, under Abe, to consider offering its submarines to Australia is a sign of that strength.

Defence cooperation with India has been fitful at best, but India under Modi now seems on its way to a more energetic regional posture, perhaps opening up new possibilities.

And, finally, China. A larger, more influential China is inevitable, and with it we'll see a People's Liberation Army (PLA) with a heavier regional footprint. It will make sense for Australia to work with China—and the PLA—when shared interests allow it.

3 COUNTERTERRORISM

Jacinta Carroll

Key points

- There will be a terrorist attack in Australia during the incoming government's term. The government should familiarise itself with its responsibilities and institute regular decision-making exercises.
- Establish a counterterrorism strategic plan and framework to guide and coordinate counterterrorism and counter violent extremism activity. The plan and framework should extend across the Australian Government, the states and territories, and businesses and communities.
- Review counterterrorism agencies and their responsibilities to ensure clarity about their roles, optimise capability and ensure preparedness. Institute formal, ongoing programs and procedures to review incidents, to identify lessons learned and to make timely changes.
- Engage with business, industry, the media and community groups to prevent, respond to and recover from terrorism.
- Develop an international partnership to counter violent extremism, focused on Southeast Asia and the broader Asia-Pacific region.

The day-to-day focus for most of a government's time in office is on matters apparently unrelated to terrorism and counterterrorism. Social policy, the economy, employment, industry and defence are among the things that will most regularly come to the government's attention and absorb its time. But when terrorist attacks occur, the government's attention and responsibility will be focused on nothing else.

There'll be terrorist attacks in Australia during the incoming government's time in office, and terrorist attacks overseas affecting Australians and Australia's interests. Australians will continue to feature among the perpetrators and supporters of terrorism.

By their nature, successfully executed terrorist attacks have an element of surprise. Soon after the incident is over and the immediate shock has passed, questions will be asked. The Australian public has high expectations for the nation's counterterrorism capabilities.

The terror threat alert level has been 'PROBABLE'—an attack is likely—since September 2014. This heightened security state will soon enter its third year. Three-quarters of post-9/11 attacks and disrupted plots in Australia have occurred since September 2014. The threat and the number of investigations are the highest they have ever been, stretching the nation's security resources. And not all attacks can be prevented, so Australia must be prepared to respond. Australia will also be affected by international terrorist incidents, and the government will need to assess their impact on Australian policies and preparedness.

Since 2014, the Australian public has paid \$640 million in additional funding for counterterrorism and accepted six tranches of counterterrorism legislation at the federal level. And there's been more funding, capability development and legislation at the state and territory level. This has provided more resources and positions for joint counterterrorism teams, dedicated police counterterrorism commands, embedded liaison positions in agencies and with international partners, a refocusing of the role of the Australian Crime Commission, and research and community programs to counter violent extremism.

The public reasonably expects that the threat will be contained, plots will be disrupted and, importantly, a clear and well-exercised response capability will be demonstrated if an incident occurs. A lot of good work done to counter terrorism and violent extremism has held Australia in good stead, but this is a dynamic area for policy. Effective counterterrorism requires ongoing attention and incremental improvement.

Counterterrorism strategy

Many counterterrorism-related programs and initiatives are in place under the Australian Government and the state and territory governments. They range from ADF operations in the Middle East and AFP capacity building in Indonesia through to intelligence-sharing among partners and joint ASIO-police counterterrorism investigations and to collaborative local programs on countering violent extremism and promoting community resilience.

But there's no shared strategy, framework and plan linking and directing them towards shared goals. There's no common platform of easily accessible information communicating Australia's counterterrorism effort to the Australian public and the international community.

One area where such a strategy would help is counterterrorism legislation, which is high profile but apparently not well understood in the wider community. The six tranches of legislation passed in recent years are generally represented publicly (including by well-regarded institutions and commentators) as rushed, too broad and lacking due process—even though they all resulted from the 2010 COAG review of counterterrorism legislation and COAG's 2012 report and were all subject to substantial parliamentary review, including lengthy public inquiries. Public understanding and the legislative process would benefit from regular, updated and accessible explanations for changes, the process for changes and the opportunity to engage with that process.

A counterterrorism strategic plan should explain the terrorist threat, what we're doing and what we plan to do, and provide a structure to guide future activity. The 2015 *Counter-Terrorism Strategy*, endorsed by COAG, provides a foundation for this work, as it describes a shared vision of the problem and work that's underway.

The counterterrorism strategic plan would take this further to direct and frame future shared activity. It should be augmented by a strategic plan to provide guidance to all stakeholders—the Australian Government, the states and territories, businesses, the community—on the program of counterterrorism activity, including work to counter violent extremism. The plan and its updates should be endorsed by the Australia – New Zealand Counter-Terrorism Committee (ANZCTC), COAG and the New Zealand Government.

Importantly, the plan should also be the basis for regular updates and explanations to the public and a public counterterrorism annual report.

Recommendations:

- Establish a counterterrorism strategic plan and framework to guide and coordinate counterterrorism and counter violent extremist activity. The plan and framework should extend across the Australian Government, the states and territories, and businesses and communities.
 - The strategy should clearly explain the background, aims and forward plan for the various aspects of counterterrorism and countering violent extremism, building on the 2015 *Counter-Terrorism Strategy*.
 - Institute an annual public report on counterterrorism, based on the strategic plan.
- Establish an annual counterterrorism summit, hosted by the Prime Minister and key ministers, to provide a mechanism for communication and dialogue among all partners and stakeholders.

Roles and capability

It isn't clear who's responsible and accountable for what in the national counterterrorism effort. Many agencies operate in the counterterrorism space, but few have statutory authority to take action and the resources to do so. The space needs reviewing, decluttering and refining to ensure clear lines of responsibility.

The Counter-Terrorism Coordinator should be in a good position to tell the incoming government what the current system looks like, and also how it could be improved. However, the Coordinator role should also be reviewed, as it lacks formal authority and resources.

Since 2001, many of Australia's national security agencies have developed substantial capability, legislation and experience, so the nation's counterterrorism response is in relatively good shape. While there's been some progress in aligning the players, particularly between the Australian Government and the states and territories, operational connections and information links could be enhanced. And legislation, powers and capabilities could be further standardised.

When a terrorist attack occurs in Australia, the Australian Government and its agencies are unlikely to be in the lead: the federal government lead is limited to overseas incidents and some matters in Australian air and sea space.

In certain specified circumstances and with the agreement of the states and territories, the Australian Government can declare a 'national terrorist situation', in which it would determine policies and broad strategies in close consultation with the affected jurisdictions. Most incidents will probably fall short of a declared 'situation', but the Australian Government could provide valuable support and back-up to those who are responding—the state and territory governments and their agencies.

Recommendation:

- Review counterterrorism agencies and their responsibilities to ensure clarity about their roles, optimise capability and ensure preparedness. Institute formal, ongoing programs and procedures to review incidents, to identify lessons learned and to make timely changes.

Exercises

Counterterrorism mechanisms and capabilities used to be exercised regularly through multijurisdictional exercises under the auspices of the ANZCTC, but haven't occurred since Exercise Mercury in 2010. Because Australia had a 'hung' parliament, that exercise did not test Australian Government or national decision-making. Arrangements between responders, such as the police and ADF, are exercised in accordance with the National Counter-Terrorism Plan and work well, but don't regularly engage high-level and political decision-makers or multiple jurisdictions at the same time.

Australia's capabilities for dealing with international terrorist incidents, including decision-making, should also be subject to exercises. Each year, Australians and Australia's interests are affected by terrorism: Australians are taken hostage by terrorists, are victims of mass-casualty attacks, such as occurred in Bali, and are perpetrators of terrorist acts, such as those by Khaled Sharrouf and Neil Prakash. Some scenarios are considered as part of agency-specific discussions, but more frequent and comprehensive exercises would be of great benefit in preparing the government and others ahead of an attack.

Exercising needs to occur not just at the field level of operators, but critically at the strategic decision-making level. Scenarios informed by real assessments across the threat spectrum should be used regularly to familiarise the Prime Minister, the premiers, relevant ministers, statutory office-holders and commanders with what they must do when an incident occurs (Figure 1). The Australian Government Crisis Coordination Centre conducts exercises for all forms of incidents, and is well placed to exercise Australia's counterterrorism response.

Figure 1: The counterterrorism planning cycle, showing the role of exercises



Regular exercises of decision-makers would put the government in the best position to respond to a terrorist attack. For those involved, it would deepen their understanding of roles, responsibilities, timeframes and intangibles such as ambiguous and limited information in an unfolding situation.

Effective exercises use challenging scenarios to expose gaps and room for improvement. Discussions and field exercises need to push against the boundaries of what we'd like to occur and test capabilities and knowledge. Doing this before an event allows agencies address the gaps, or at least to acknowledge the residual risks after they have done what they can. For example, attacks can and do occur during weekends and holidays, when key officials are away or hard to contact; we know this, so we should practice for it.

Recommendations:

- The incoming government should familiarise itself with its responsibilities and authority and regularly exercise its decision-making.
- The government should institute a series of regular multijurisdictional exercises, including annual field exercises, involving the states, the territories and business. This should include practising multiple-incident responses and emergency medical responses.

Lessons learned

Most counterterrorist effort and resourcing focuses on the specific detail of when, where and how successful terrorist attacks will occur, the aim being to disrupt plots and respond effectively to incidents. We have experiences to learn from—our own and those of others—but are at risk of not learning or learning too late.

State coronial inquests are currently the only formal arena examining what occurred in a terrorist attack. While they are appropriate to determine the cause of deaths, where they occur, they aren't appropriate for reviewing operational effectiveness or informing lessons learned for counterterrorism. They also sit long after the incident and after changes in the threat environment: the Lindt Café siege inquest began looking at the incident 15 months after the siege, while the inquest into Numan Haider's death began more than 18 months later.

The public expects the government to have a well-designed approach for preventing attacks, which evolves as new challenges emerge. While individual states and agencies have mechanisms to capture operational lessons, Australia could benefit from formal, ongoing programs and procedures to review what happened and draw lessons from and for all stakeholders. This could be complemented by clarifying the role of various legal processes that may deal with terrorist incidents.

Recommendations:

- Institute formal, ongoing programs and procedures to review incidents and identify and implement timely lessons learned, including:
 - a ‘quick look’ review of what happened and the lessons learned, undertaken under the auspices of the ANZCTC and COAG and completed within four weeks of a terrorist incident (defined as an attack or significant disruption)
 - a more comprehensive review of the incident, completed within eight months
 - an implementation plan to address lessons learned.
- Work with the Australian Law Reform Commission to clarify the appropriate legal procedures and mechanisms dealing with terrorist incidents, including the appropriate role of coronial inquests into terrorism-related deaths.

Information sharing and intelligence

Sharing information, particularly classified intelligence, with those who need it to perform their counterterrorism roles remains challenging. Current arrangements constrain sharing, sometimes necessarily but at other times because of assurance requirements that could be addressed in other ways.

The Australian Government is best placed to lead in this domain through the ANZCTC by developing mechanisms to optimise the sharing of information and intelligence across Australian agencies and jurisdictions and internationally. One option is to establish a federated set of databases with visibility to aid initial investigations, but with controls to manage access and release of information. We need a system that allows easy state and territory agency access to relevant Australian Government data holdings, but protects privacy and security.

A related issue is the public release of sensitive information and intelligence to disrupt plots and prosecute terrorism offences. There is and will continue to be pressure to publicly release sensitive and protected information in the interests of freedom of speech, freedom of the press and due legal process. The complexities of appropriately managing intelligence about investigations, including protecting counterterrorism capability, mean that this isn’t a simple issue. It needs to be managed carefully.

Checks and balances are in place to ensure the scrutiny of police and other law enforcers and to appropriately manage the use of classified information and capabilities in legal procedures. They include the Office of the Commonwealth Ombudsman and its state counterparts, the Office of the Inspector-General of Intelligence and Security, the Independent National Security Legislation Monitor, police integrity commissions, public interest disclosure protections and security-specific arrangements for legal proceedings.

The scrutiny of security agencies is a difficult issue, but it’s very important to our society. Protecting the community effectively comes at some cost to privacy. That truth should be the basis of a public dialogue on privacy, security, transparency and secrecy in relation to counterterrorism.

Recommendations:

- Establish a mechanism to optimise the sharing of sensitive information and intelligence between Australian Government and state government agencies.
- Begin a public dialogue with the community on privacy and security in relation to counterterrorism.

Defence

ADF tactical counterterrorism capability, notably Tactical Assault Groups East and West, is well known and well regarded. The arrangements for ADF support to the states and territories in counterterrorism incidents are, however, overdue for review.

Police tactical response capability has developed significantly in response to criminal and terrorist threats. However, at the same time, the terrorist threat has grown. We now need a more nuanced understanding of how and when the ADF and broader Defence organisation capability might best support and complement state-led responses to terrorism, and how to ensure that the right command and control and legal protections are in place.

Countering violent extremism

One of the most challenging aspects of counterterrorism is that ‘rational’ responses by governments’ law enforcement, security and defence agencies feed into extremist and terrorist narratives.

We need to improve communication with the community so that it can understand counterterrorism and actions to counter violent extremism. Misunderstanding in this area can have serious consequences.

This requires a complex and multifaceted response. The most effective interventions will be at the local level and driven by the community; government can add the greatest value by facilitating and supporting such actions and giving stakeholders the opportunity to share their experiences and program knowledge, as well as raising public awareness.

Islamist violent extremism isn’t a political or religious movement in the way normally understood in liberal democratic experience. Its political position is absolute, rather than pluralist. Religion is intrinsic to its politico-strategic view, rather than separate from it, as in the Western secular tradition. This means that there’s no common cultural reference point in this war of ideas.

Australia and other liberal democracies must consciously identify, explain and fight for their pluralist and egalitarian values. For Australia, legally protected policies of multiculturalism and tolerance, explained and demonstrated, provide the alternative societal model for those who might directly or indirectly support Islamist extremism.

Our secular tolerance doesn’t mean that the intolerance and absolutism espoused by Islamist extremists should go unchallenged by the state and the community.

Social cohesion and resilience

Countering violent extremism and terrorism in Australia requires a healthy and resilient civil society. That comes from a foundation of continuous education about who we are and where we’re going and the participation of our citizens in society, mainly through work but also through other community activities. This means that the ‘soft’ side of counterterrorism—countering violent extremism and building resilient societies—needs to be identified and advanced as part of the counterterrorism agenda.

The most effective way to approach this is to integrate the countering violent extremism and counterterrorism agenda into existing capability and initiatives in education, employment, multiculturalism and other parts of social policy.

We have many programs that aim to educate Australians, particularly children and young adults, about Australian values and how to avoid crime, drugs and gangs.

Our schools provide primary and secondary education on democracy, citizenship and history, and that could be the basis for whole-of-community awareness-raising programs and information for all members of the community who want to counter violent extremism.

Social and multicultural initiatives, such as Harmony Day and employment, skills and youth programs, all contribute to a healthy, cohesive and resilient society.

The ANZCTC, in conjunction with COAG, should review and compare best-practice education and awareness-raising to promote understanding of civil society in liberal democracy and its values of tolerance, equality and the rule of law.

The Australian Government should sponsor the establishment of research and practitioner networks and a resource database of educational material for stakeholders, including educators, the media, vulnerable communities, youth and the general public. This work should be supported by a complementary public awareness program involving a range of media, including social media.

A high-level advisory council on countering violent extremism could also be established to advise the Minister Assisting the Prime Minister on Countering Violent Extremism and the Minister for Multicultural Affairs to improve portfolio linkages.

Recommendations:

- Make the Australian Government the lead sponsor of collaboration on countering violent extremism by:
 - establishing a countering violent extremism network and an information and resource database for the network
 - drawing from and coordinating existing programs to build social cohesion to counter violent extremism.
- Establish a biannual meeting with the states and territories on countering violent extremism.
- Work with the states and territories to provide easily accessible information on Australia and Australians, including human rights, democracy, equality, law, religion, responsible government, civil society, history and current affairs.
- Establish an advisory council on countering violent extremism.
- Launch a ‘champions of change’-style program on integration and social inclusion to promote cohesion, resilience and Australian values.

Information operations

Another powerful role that government could and should play is in countering online extremist narratives. The cyber environment is where extremist groups engage with supporters, potential recruits and those who are merely interested and seeking information. Islamist extremist groups such as Islamic State and al-Qaeda have a large and dispersed social media presence that is active 24/7 in a wide range of forums, including forums based on different languages and countries. Current counter-narrative initiatives don’t even match that presence, let alone exceed it.

The government could work with partners here and overseas to provide a strong and active voice explaining Australia’s counterterrorism actions and countering the claims and narrative of extremists. Initiatives such as @DaeshLies—a Twitter account exposing fabrication and distortion by Islamic State—have had mixed experiences and impacts, but are an initial foray in the right direction.

The newly appointed Cyber Commissioner and the Children’s e-Safety Commissioner should be consulted as part of this initiative, as should internet and social media businesses.

Engaging proactively with the media and the community on counterterrorism will incur some risk and criticism, but it’s necessary to enhance public understanding and the debate about counterterrorism and countering violent extremism, and the complexities of both issues. Without it, Australia risks polarising both issues, as we have seen in the over-simplistic and ultimately unhelpful narrative of so-called Islamic State group as a ‘death cult’ versus Islam being a religion of peace. A more nuanced debate is needed to support a comprehensive strategy.

Recommendations:

- Develop a concerted information operations program to counter extremist messaging in all forms of media, but focused on social media, and engage community and youth groups to lead initiatives. Collaborate also with international partners.

Right-wing extremism

We need to look at extremism as a whole. Far-right groups appear to be increasing their presence and activity in response to the threat from Islamist extremism. They foment intolerance and work against social cohesion and resilience in the same way as Islamist extremism. Their actions also contribute to the propaganda of Islamist extremists. It's important that all forms of extremism are addressed in a consistent way, and seen to be.

International counterterrorism

Islamic State will likely suffer military defeat in the Middle East during the incoming Australian Government's term, but the threat from terrorism will evolve, move into a new phase and continue, largely undiminished.

Australia should consider how it can best engage with international efforts to counter terrorism, and this should be included in the counterterrorism strategic plan. In addition to military and diplomatic efforts, the government should also use aid as a key element in countering terrorism and violent extremism.

Australia's perception of terrorism and extremism is still affected by geography. To date, we haven't experienced a mass-casualty attack in Australia, such as those in the US, the UK, France and Belgium. While the battleground of the Middle East (and Europe) is physically remote from Australian territory, Australia and Australians are involved in all parts of the spectrum, and on both sides.

Australian policymakers, planners and military, intelligence and law enforcement personnel are engaged in terrorist hotspots around the world and in our region. And Australians have been drawn in relatively high proportion to be part of the Islamist groups fighting in Syria and Iraq, mainly in support of establishing the Islamic State's 'caliphate'. Around 110 Australians are fighting in terrorist groups in Iraq and Syria, 50–59 have been killed and around 40 have returned to Australia. Another 177 have been prevented from leaving Australia by the cancellation of their passports, and 33 have had their passports suspended.

Australia's international military involvement will continue to be influenced by broader coalition plans. Our approach is unlikely to change significantly until after the US presidential election and the defeat of Islamic State, including the capture of Mosul. However, those events will be signals for the next stage in dealing with this threat, not the end.

Islamic State's defeat won't spell the end of Islamist violent extremism in the Middle East and beyond. Australia's voice is valued among our partners, so we should consider how we might contribute to developing an effective longer term coalition strategy and the diplomatic and military contributions that we might make in support.

Terrorist groups use Australia's involvement in Middle East operations and counterterrorism elsewhere as propaganda and justification for attacks on Australia and Australians. There's a real and tangible link between international and domestic terrorism: an estimated 200 people in Australia provide direct support to Islamist extremism.

The Asia–Pacific region

Our region should be the focus of renewed attention for Australia. Islamist extremist groups throughout Southeast Asia have been emboldened and reinforced by the rise of Islamic State and the establishment of its caliphate in the Middle East. This has given them an opportunity to form alliances and share information and funding, and for members to gain experience in the conflict to bring back home. The establishment of a *wilayat* in Indonesia

(a ‘province’ or ‘governorate’) was long seen as the pipedream of a ‘contained’ and unpopular terrorist group, but now has a real reference point in al-Baghdadi’s state.

The success of Islamic State and al-Qaeda in the Middle East has attracted fighters and supporters from around the world, including from Islamist groups previously focused on national issues that were under pressure at home in Chechnya, Indonesia and North Africa.

One of the side-effects of the likely military defeat of Islamic State will be the dispersal of its members. The result will be more external operations, such the recent terrorist attacks in Europe, Libya and Jakarta.

The Asia–Pacific is our region, but we don’t have a coherent overarching plan and program to engage and work with our neighbours as partners in countering terrorism.

The incoming government should consider developing a counterterrorism and countering violent extremism partnership jointly with Indonesia, to expand to the Asia–Pacific, focused on countering violent extremism in Southeast Asia and the broader Asia–Pacific region. The AFP has a longstanding relationship with Indonesian partners and across the region, and would bring valuable expertise to this activity. The program should also be linked to aid, development, trade and business. We have a successful model for this type of cooperation in the Asia–Pacific Counter-Terrorism Financing initiative.

A month after the election, the second Asia–Pacific Counter-Terrorism Financing Summit will be held. This is a joint initiative of Australian and Indonesian financial intelligence units, AUSTRAC and Pusat Pelaporan Dan Analisis Transaksi Keuangan (PPATK) and is a model for bilateral and multilateral initiatives involving different cultures and politico-legal systems and brings the public and private sectors together.

It would be useful to do a stocktake of the international programs already underway, as well as useful previous initiatives that have lapsed, and to identify where Australia might be able to add experience and expertise and where we might benefit from the expertise of others in our region. The incoming government should ensure that those relationships and programs endure so that we don’t need to reinvent them in a few years.

Australia could help to develop regional capability by promoting a regional ‘countering violent extremism’ network and resource database. We could also partner with similar networks, such as the European Commission’s Radicalisation Awareness Network.

Recommendations:

- Stocktake Australia’s current and recent international counterterrorism activities.
- Develop a ‘countering violent extremism’ partnership with Indonesia, to expand to the Asia–Pacific, focused on countering violent extremism in Southeast Asia and the broader Asia–Pacific region.
- Lead in the development of a regional countering violent extremism network and regional database.

Community and business resilience and disaster response

While terrorism and counterterrorism are high-profile issues and attract significant funding, they are currently characterised primarily as the realm of government, with a particular focus on attack disruption and responses by security and law enforcement.

However, the business sector and the broader community have the potential to be significant enablers in Australia’s counterterrorist effort. The operators of our major venues and critical infrastructure are partners in protecting and hardening their facilities against terrorist attack and in responding to an attack. Many have good relationships with police and security services, and some are involved with the ANZCTC Business Advisory Group.

This engagement needs to be continued and strengthened, but also aligned with broader activities in relation to disaster resilience and response.

Recommendations:

- Engage with business, industry, the media and community groups to prevent, respond to and recover from terrorism.
- Align counterterrorism resilience and response to disaster resilience and response.

Prevention and pre-emption

Terrorist attacks, particularly mass-casualty attacks, are designed to engender fear. By demonstrating the vulnerability of people to attack, terrorists aim to undermine trust in the government's ability to protect its citizens.

This means that authorities must take action to prevent the attack, but this creates a tension with our criminal justice system, which is weighted to post-event proof of a physical criminal action. And the punishments for terrorism are severe.

It would be good for the government to engage openly and regularly with key legal and human rights bodies on preventative action and pre-emption in the legal context, balanced with its overall responsibility to protect the community from terrorism.

The government is likely to receive proposals to use tracking devices to monitor terrorist suspects, rather than detaining them, and also for 'security cleared' special advocates to represent people charged with terrorism but who are unable to see classified evidence against them. Both proposals refer to overseas regimes. The 'special advocate' proposal has been considered by government previously in another context and was rejected as unnecessary.

Both proposals have weaknesses in relation to both security and fairness and have proven problematic in other jurisdictions. Monitoring is resource intensive for agencies and doesn't negate the individual's ability to contribute to terrorism. The special advocate system was introduced in the UK and Canada to meet mandatory human rights requirements, but the special advocate provides limited value to the client because the advocate can't advise the client on classified material. The risk of compromising capability has also led to prosecutions being dropped.

Those specific proposals should not be taken up, but the government and its agencies should continue to examine and promote debate on options in the Australian system to ensure the appropriate use of powers in counterterrorism and the maintenance of procedural fairness through the judicial system.

Conclusion

A lot of good work has been done in Australia to counter terrorism and violent extremism. This provides a solid foundation for further work.

Counterterrorism is a complex area of policy. There are few, if any, quick fixes, and most policy, operational and legal actions taken to counter terrorism and extremism have a downside and potential unintended consequences. To be effective, counterterrorism activities and programs must be considered and long term.

Many stakeholders are involved in counterterrorism and countering violent extremism. They include in the Australian Government, state and territory governments, business, the media and the broader community. There is also a strong and dynamic connection between domestic and international environments and policies. These factors are both complicating and helpful.

The Australian Government can lead in bringing those groups and issues together and providing common strategy, guidelines and resources. Without that, Australia risks being surprised when the next attack occurs, and suboptimal in our response.

4 BORDER SECURITY AND LAW ENFORCEMENT

John Coyne, David Connery, Simon Norton, Cesar Alvarez

Key recommendations

- The next Australian Government should consider developing a law enforcement policy statement focused on clearly articulating its strategic intent, its expectations of agencies, and the resources it will assign.
- The government should consider centralising other border security functions, such as quarantine and biosecurity, to allow for the development of a unified national border security strategy.
- The government should consider making a commitment to a specific ‘minimum spend’—perhaps in the form of a percentage of GDP based on a rational cost–benefit calculation—on law enforcement and border security.
- The government should resolve the irregular maritime arrival legacy case load.
- After the election, the government should consider reducing the pressure on border security and law enforcement agencies to increase seizure and arrest rates. Further efforts should also be made to develop broader and more relevant performance measures that are focused on strategic impacts on threats and risks to Australian communities.

Australia’s border security and national law enforcement arrangements comprise a complex framework of often overlapping jurisdictions; legacy policy issues and budgeting models; organisational cultural challenges; and stand-alone thematic strategies. In the past, expediency during policy development called for the establishment of ad hoc taskforce arrangements to temporarily address new or emerging issues. Despite these challenges, the border security and law enforcement agencies have consistently achieved or exceeded the performance targets in their Parliamentary Budget Statements. This isn’t surprising, given that they have historically been focused on achieving ‘siloed’ operational outcomes such as arrests, seizures and successful prosecutions. For any government, change in this policy space is tough going.

The national security policy challenges discussed in this chapter are concerned with border security and national law enforcement threats and risks—more often than not related to serious and organised crime. The cross-cutting nature of contemporary threats means that some challenges relevant to border security and national law enforcement occur in other chapters (such as those on counterterrorism and cybersecurity).

The national security policy issues addressed by Australia’s border security and national law enforcement agencies are consistently live issues for federal governments. The policy in this space is focused on the real-time disruption of pervasive threats. The risks associated with those threats are unlikely to be completely mitigated. Yet recent experience of events such as the Sydney Lindt Café siege involving Man Haron Monis has shown that the public has zero tolerance for policy failure.

This chapter outlines 10 critical border security and national law enforcement challenges and ways forward for the next government¹:

1. Focus more on transnational, serious and organised crime (TSOC)
2. Develop a clear Australian Government policy on law enforcement
3. Continue integration of Australia's border security functions
4. Bring greater funding consistency for law enforcement agencies
5. Reduce the irregular maritime arrival legacy case load
6. Enhance international engagement on law enforcement and border security
7. Modernise law enforcement performance measures
8. Develop a border information and communications technology (ICT) solution
9. Broaden the anti-money-laundering and counterterrorism financing legal regimes
10. Strengthen whistleblower protection laws.

Focus more on transnational, serious and organised crime

International bodies and non-government organisations alike describe TSOC as a threat to national security and regional stability. The threat posed to Australian national security by TSOC continues to expand and change. The increasing scope of this threat has been accompanied by an increase in the complexity of TSOC structures and activities. Syndicates rapidly acquire and employ new technology at a rate that far exceeds that of law enforcement.

TSOC business models and their inherent flexibility afford them the opportunity to rapidly identify risks and opportunities for exploitation. These groups have consistently demonstrated the capacity to rapidly change their operations or activities and take immediate action when an opportunity or unacceptable risk arises. And they are increasingly greying the line between legitimate and illicit economies as a means of deception and profit maximisation.

Recent policy experience with such TSOC issues such as 'ice' (crystal methamphetamine) and money laundering have shown us that what worked in the past won't guarantee success in the present, let alone the future. The dynamic business models used by these groups are increasingly degrading the effectiveness of law enforcement's traditional strategies for detecting, disrupting, preventing and investigating TSOC entities.

Policy professionals in this space are increasingly aspiring to the same flexibility and agility as that displayed by the entities they are trying to disrupt, but changing operational agencies' doctrine, training and capabilities requires longer lead times.

The questions here is 'How can we make our law enforcement and border security agencies' responses to TSOC more agile?'

Develop a clear Australian Government policy on law enforcement

To date, developments in Australia's national law enforcement strategies and policies have, for the most part, been evolutionary, reactive or incremental. Even at the national level, law enforcement strategy has been more about 'doing things right' (operations) than 'doing the right things' (strategy). But there's a need for law enforcement to think strategically while acting operationally.

The agencies face a reality in which the amount of reported crime far exceeds their capacity to respond. As a result, agency-level enforcement strategy and policy are directed towards organisational performance measures. In this planning construct, they continue to achieve their operational performance targets but are often not having any

tangible strategic impact. The dramatic increase in the ‘cost of organised crime’ figure—from \$10 billion in 2008 to around \$36 billion now—provides some evidence to support this.²

In the case of border management, much of the policy and operational focus of the Customs and Border Protection Service (the Australian Border Force’s predecessor) was on the speed at which legitimate travellers and goods could be moved through the border system. Therefore, many legacy border arrangements have more to do with passenger facilitation rates and cargo time release studies than border security.

In the face of strong international, technological, political and social forces, change to Australia’s law enforcement strategies is needed. While the separation of powers principle continues to apply at the investigator level, current ministerial directions to individual agencies—which now exist in two different portfolios—aren’t providing sufficient strategic granularity to develop whole-of-government enforcement policies.

Recent mergers between law enforcement agencies have reinforced the need for a cabinet-level law enforcement policy that identifies and addresses duplications and gaps, adopts an expanded view on law enforcement, and targets crime domestically and transnationally.

The next Australian Government should consider developing a law enforcement strategy that clearly articulates the government’s strategic intent. The strategy needs to sit above agencies and departments and draw in the range of existing instruments, including ministerial directions and national thematic strategies such as the Organised Crime Response Plan and the National Drug Strategy.

Continue integration of Australia’s border security functions

Even with the creation of the Department of Immigration and Border Protection (DIBP) and the Australian Border Force (ABF), the Australian border remains a complex policy challenge. A key component of the DIBP strategy for resolving the often unclear and overlapping jurisdictional challenges at the border is the National Border Targeting Centre. The centre co-locates operational border security staff and information systems of agencies such as the Australian Federal Police (AFP), the Australian Security Intelligence Organisation, the Australian Crime Commission (ACC), DFAT (the Australian Passport Office), the Department of Agriculture and the Department of Infrastructure and Transport. The centre creates an opportunity for the joint management of border risks through coordinated, intelligence-led, risk-based targeting: but co-location doesn’t guarantee cooperation.

The DIBP and ABF continue to run a fast-paced change program. Until now, this work has been focused on laying strong foundations for the long-term maturation of Australia’s new border security arrangements, so the centralisation of border control remains nascent. If the ABF model proves successful, consideration should be given to centralising other border security functions, such as quarantine and biosecurity, to allow for the development of a unified national border security strategy.

Bring greater funding consistency for law enforcement agencies

Successive governments have said, ‘National security is the first priority of government’, and both sides aspire to spend 2% of GDP on defence to insure against future threats. However, enforcing Australia’s laws and securing the nation’s borders is relevant each day, yet it attracted only about 0.5% of GDP last year, and that figure won’t be maintained. Over the next three years, cash allocations to the national law enforcement and related agencies are slated to fall by around 9% in real terms.³

Compounding this problem is the variability and segmentation of spending to counter crime. While some agencies receive additional funding through new policy initiatives, those measures lapse and often do little more than obscure the impacts of previous cuts. The ‘fenced’ funding model may appear to be effective in targeting specific crime issues, but in reality it makes law enforcement’s job more difficult. Modern organised crime and terror groups rarely keep their activities ‘fenced’ into a single crime type or activity.

Fenced law enforcement funding restricts agencies' flexibility to respond to change. Under-resourcing them degrades their capacity to disrupt and investigate national security threats.

Future planning and the development of capabilities, both human and technological, have been impaired. Subsequently, law enforcement capability development has been a reactive process driven by entrepreneurial opportunism. This is particularly concerning in an environment of rapidly changing technologies that enable criminal activity and national security threats. It also makes staff planning more difficult: witness the redundancies given to some AFP protective officers in 2014, only to have that function expanded in the next budget. Governments must take a long-term view of law enforcement and build capability accordingly.

The government should consider making a commitment to a specific 'minimum spend'—perhaps in the form of a percentage of GDP—on law enforcement and border security. Such a commitment would provide law enforcement with greater planning certainty, especially for capability development and strategy. When funding increases are provided above the proposed minimum spend, they should be linked to strategic impacts and have meaningful performance measures.

Reduce irregular maritime arrival legacy case load

In the second half of 2011, the Gillard government's irregular maritime arrival policies were under significant pressure from a growing population of asylum seekers. With limited options, the government decided that many low-risk irregular boat arrivals would be released into the community on bridging visas. Following health, identity and security checks, low-risk boat arrivals were released, under strict conditions, into the Australian community until such time as their claims for protection were assessed.

On 14 August 2013, in response to an upsurge in boat arrivals and deaths at sea, the Rudd government re-established offshore processing and unintentionally created a new cohort of asylum seekers: the legacy case load. Almost 30,000 people have been sitting in limbo for two years on Bridging E visas awaiting an immigration decision.

At the current rate, without further funding, it will be many years before the legacy case load is resolved.

Neither the DIBP nor the ABF have the resources to address the issue without redirecting funds from border security. After the election, this issue could be resolved by doing one of three things:

- Fund the ABF to resolve the legacy case load quickly.
- Acknowledge how long it will take to resolve the outstanding cases.
- Look for an alternative, pragmatic policy option.

Each of these options comes with significant and complex policy challenges. The resolution of the legacy case load will inevitably result in some people being granted permanent residence. Those who are denied permanent residency face offshore detention and involuntary returns.

Enhance international engagement on law enforcement and border security

Australia's national law enforcement and border security agencies have a long and successful history of working forward of the border. Today, the ACC, DIBP, ABF and AFP have officers permanently posted in a number of Australian diplomatic missions. They also have liaison staff embedded in international government organisations, such as Interpol and Europol and foreign government departments.⁴

Due to the nature of law enforcement planning, the activities of these staff have often been focused on operational outcomes. Furthermore, that work has been targeted towards individual agency or departmental requirements.

The challenge for all of the agencies and departments in this environment is to differentiate and integrated their work in a complementary manner.

The international border security and enforcement environment is a complex construct, but one in which strategic interventions can bring disproportionately high returns on investment. Strategic approaches to Australia's international enforcement footprint are yet to be developed at the whole-of-government level. To be successful, those strategies will need to be integrated with existing diplomatic and aid strategies.

There's significant scope for the new government to consider how it should strategically manage international engagement and intelligence gathering by the law enforcement and border security agencies.

Modernise law enforcement performance measures

Law enforcement agencies struggle to develop meaningful performance measures to demonstrate efficient and effective outcomes in crime-fighting. The existing quantitative performance measures were established under the old policing paradigm of response policing and enforcement activity. But that doesn't reflect contemporary experience, in which effective crime prevention and disruption often have either a neutral or a negative impact on organisational performance measurements.

An Australian Institute of Criminology research report, 'Findings from the DUMA program: Impact of reduced methamphetamine supply on consumption of illicit drugs and alcohol', highlights this point.⁵ While the ACC continues to report increased seizures of amphetamine-type substances (ATS) (from 2012 to 2013, an 85.6% increase in detections and a 515.8% increase in total weight seized), the researchers found that those increases weren't having any marked impact on the drug's domestic availability to users.

In the case of drugs, there are disconnects between the use of seizure rates and arrests as a performance measure and the achievement of the government's policy intent of harm minimisation. The treatment of addicts has been proven to reduce street crime, thereby making communities safer, but that leads to fewer arrests or—according to the performance measures—enforcement failure.

Fearing criticism for weak performance, enforcement decision-makers continue to focus on achieving higher seizure rates and arrests. Arguably, the dogged pursuit of such performance measures comes at the cost of other more innovative strategies and measures, which may include interventions by agencies not involved in law enforcement.

Border security and law enforcement policymakers face a conundrum: whether to continue to pursue politically sensitive increases in seizures and arrests or to pursue less tangible but more complex and difficult outcomes, such cooperating internationally to reduce illicit drug supply.

After the election, the government should consider reducing the pressure on border security and law enforcement agencies to increase seizure and arrest rates. Further efforts should be directed towards developing performance measures that focus on strategic impacts on the threats and risks to Australian communities.

Develop a border ICT solution

Organisational change and border security reform at the ABF and DIBP since July 2015 has been at a breakneck pace. The organisational and cultural merging of two very diverse agencies has been a central part of the change. One area of integration that's been particularly difficult is information management, and especially the organisations' ICT systems. Both the DIBP and ABF inherited many stand-alone systems that are essential to border security and management but difficult to integrate.

Information is essential for intelligence-led, risk-based and strategically managed border security, so integrating the agencies' decentralised legacy systems is critical. To do it, the DIBP and ABF need an ICT framework that permits both of them to fully exploit their data holdings. Unfortunately, the UK border security experience shows that this is an expensive and difficult task.

To date, the UK Home Office has spent £830 million on its failed eBorders scheme. The current iteration of the border security ICT solution— called 'Digital Services at the Border'—is likely to cost another £275 million. And the whole project is likely to be delivered eight years behind schedule.

The new Australian Government will need to understand the risks in integrating the border security system.

Broaden the anti-money-laundering and counterterrorism financing legal regimes

A statutory review of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* was published in April 2016. The current government proposes a cost-benefit analysis of options for introducing the second tranche of anti-money-laundering and counterterrorism financing (AML/CTF) legislation, extending the regime to cover lawyers, conveyancers, accountants, high-value goods dealers, real estate agents, and trust and company service providers.

The Australian Transaction Reports and Analysis Centre's national threat assessment identified real estate agents and lawyers as a high money-laundering risk. It also found that many foreign criminals saw Australian real estate as a good place to launder illicit funds from overseas.⁶ This assessment provides some support for the argument that these industries shouldn't be exempted from implementing AML/CTF controls or reporting suspicious matters.

The new government should consider extending the AML/CTF regime to those sectors. This would bring Australia closer to meeting international AML/CTF standards set by the intergovernmental Financial Action Task Force.

Strengthen whistleblower protection laws

There's a lot of confusion about corruption in Australia, both in and out of politics. A Griffith University survey in 2012 found that while 80% of Australian employees felt personally obliged to blow the whistle on wrongdoing in their organisations, only 49% (and only 33% of federal public servants) felt that their managers would be serious about protecting them.⁷

Another survey by the Australian National University in 2012 found that less than 1% of Australians had any personal experience with corruption, yet 43% of people think that levels of corruption have increased. In addition, only half of those surveyed said they knew where to report corruption. Of that half, only 5% said they would report it to an anticorruption organisation.⁸

Australia has seen a number of high-profile corruption cases in recent years, but has dropped in Transparency International's Corruption Index from equal seventh place in 2012 to equal thirteenth in 2015.

There's a definite link between the number of whistleblowing reports and the existence of comprehensive and effective whistleblower protections laws in a country, even if the country lacks national legislation. The incoming Australian Government should review the safeguards for dobbing in corrupt officials and those involved in corporate wrongdoing.

Conclusion

Many of the criminal threats that Australia's border and enforcement agencies face can be defeated individually at the operational level: syndicates can be disrupted and their members arrested. Unfortunately, despite operational successes the strategic threat level will remain unchanged: there will continue to be criminals and organised crime.

That observation isn't fatalistic or defeatist, but instead highlights the importance of lifting the focus of border security and law enforcement to the strategic level. The aim should be to achieve effects or impacts, as opposed to merely making arrests and seizures. Fortunately this is possible in Australia because, for the most part, our national strategies in these areas enjoy bipartisan support.

Notes

- 1 The listing isn't meant to imply any priority order.
- 2 The Australian Crime Commission first estimated the cost of organised crime to Australia at around \$10Bn in 2008. Their updated estimate puts the cost at \$36Bn per annum. See Australian Crime Commission, *The Costs of Serious and Organised Crime in Australia 2013-14*, 2015, p. 4.
- 3 Australian Government, Budget 2016–17; ASPI calculations. Law enforcement and related agencies include the AFP, the Australian Transaction Reports and Analysis Centre (AUSTRAC), CrimTrac, the ACC, the Australian Institute of Criminology and the Office of the Director of Public Prosecutions.
- 4 For example, AUSTRAC has staff members embedded in the PPATK (its Indonesian counterpart).
- 5 Sarah Coghlan, Susan Goldsmid, 'Findings from the DUMA program: Impact of reduced methamphetamine supply on consumption of illicit drugs and alcohol', *Research in Practice*, no. 36, 2015, [online](#).
- 6 Financial Action Task Force (FATF) and the Asia–Pacific Group on Money Laundering (APG), *Anti-money laundering and counter-terrorist financing measures—Australia*, fourth round mutual evaluation report, FATF, Paris and APG, Sydney, April 2015, [online](#).
- 7 Griffith University and the University of Melbourne, 'Australia not an "anti-dobbing" culture: first whistleblowing survey results', media release, 6 June 2012, [online](#).
- 8 Ian McAllister, Juliet Pietsch, Adam Graycar, *Perceptions of corruption and ethical conduct: ANUpoll October 2012*, report no. 13, Research School of Social Sciences, ANU College of Arts and Social Sciences, October 2012, [online](#).

5 RISKS TO AUSTRALIA'S ECONOMIC SECURITY & DEFENCE FUNDING

Mark Thomson

Key points

- Australia faces parallel economic and strategic risks that have the potential to exacerbate each other.
- Australia's ability to deal with economic shocks relies on keeping debt low. The incoming government will face a tension between retiring debt (to reduce economic risks) and spending more on defence (to reduce strategic risks).
- The global economy is suffering from a prolonged and anaemic recovery following the global financial crisis of 2008.
- Continued economic malaise in advanced economies will further erode the relative power of Western militaries.
- There are growing risks in the Chinese economy, especially in its poorly regulated financial sector.

There's both symbiosis and tension between Australia's economic and strategic security. A stronger economy allows for stronger defence, and strong defences, used wisely, provide the stability that underpins our prosperity. In that sense, our economic security and strategic security are mutually reinforcing. In another sense, however, they are in competition. Every dollar we spend to reduce economic risk—for example, by retiring debt—is a dollar we can't spend on our defence, and vice versa. Somehow, we must balance our investments in strategic security with those in economic security.

This chapter surveys the economic risks that Australia faces and examines they interplay with our strategic security and, in particular, our ability to fund the plans in the 2016 DWP. Because the Australian economy can't be properly considered in isolation, we begin by examining the global economy, with a particular focus on the US.

The global economy

A little over seven years after the global financial crisis (GFC), the world economy is yet to properly recover. For five years in a row, the International Monetary Fund has overestimated global and regional growth. National officials and private sector economists have done no better. It's not that policymakers have sat idle. After the initial wave of Keynesian fiscal expansion ebbed, and with interest rates at historical lows in most advanced economies, officials have resorted to 'unconventional' monetary policy, or 'quantitative easing'. In the US, the UK, Japan and Europe, central banks have injected the equivalent of hundreds of billions of dollars into the banking system by purchasing bonds and securities from the market. Yet, apart from some encouraging but as yet inconclusive signs in the US, growth remains below expectations.

An even more drastic, some would say desperate, step has been taken in the Eurozone and Japan, where commercial banks are being hit with negative interest rates on the money they deposit in their central banks. To the consternation of policymakers, the imposition of negative interest rates hasn't resulted in higher lending rates.

And there have been perverse unintended consequences, not the least of which is that Denmark, Sweden and Switzerland have had to follow suit to prevent their currencies from appreciating. While negative interest rates might seem bizarre, still more extreme measures are being discussed as fallback options. For example, 'helicopter money drops', which amount to printing money to fund expanded government spending (with the fig leaf of governments selling bonds directly to their central banks) are being considered as a last-ditch effort to stimulate growth.

Some parts of recent travails are well understood. For example, it's accepted that the Eurozone's common currency has prevented what would have otherwise been routine adjustments between regions of differing productivity. More generally, a variety of explanations have been offered for why advanced economies haven't bounced back after the GFC. Some argue that consumers and firms are rationally paying down debt and avoiding risky ventures. Others think that regulation of the financial sector has inhibited risktaking and stifled growth. Keynesians take it as an article of faith that government spending has been insufficient to properly jump-start growth. Adherents to the 'secular stagnation' hypothesis believe that a range of factors, such as ageing populations and slowing productivity gains, herald a new regime of insipid growth for the foreseeable future. The list goes on.

Although there's probably some truth in the varied explanations proffered, there's nothing approaching a consensus on why the GFC marked a transition from steady to faltering growth. Our economic models have proven insufficient for the task. In part, that probably reflects the difficulty of taking into account the interplay between the real economy and the bewilderingly complex financial sector—an especially daunting task in a world of globalised trade and capital flows. Equally, in the current environment, it appears harder than usual (and it's never easy) to anticipate how individuals and firms will respond to changes in prices, interest rates and other policy interventions.

The sobering conclusion is that we live in a global economic system that's both poorly understood and beyond the power of policymakers to control with any certainty.

...there are clear risks in the global economy as it stands—all of which have potential implications for Australia's security and prosperity.

Notwithstanding what we don't know, there are clear risks in the global economy as it stands—all of which have potential implications for Australia's security and prosperity. Most obvious are the consequences of continued slow global growth or, worse still, a decline to an even slower rate of growth. Setting aside the direct impact on the price and volume of our commodity exports, continued slow or slowing global growth would exacerbate several problems that we face already.

Take the US. Saddled with debt approaching 76% of GDP following the financial crisis and with an alarmingly dysfunctional polity grappling with mounting fiscal pressures, our great and powerful ally is already finding it hard to maintain the scale and sophistication of its armed forces. Quite apart from the inexorable rise in the unit cost of advanced military equipment making the task harder, the nation that spent upwards of 9% of GDP on defence in the 1960s is only able to muster around 3.5% today. It's hardly surprising that the post-Cold War planning benchmark—being prepared to simultaneously fight 'two major regional conflicts'—is rapidly receding into memory.

A comparison with China is inescapable. The years of sub-trend US growth following the GFC allowed the Middle Kingdom—which dodged the worst of the crisis—to close the gap with the US economically and strategically. Every year that the US endures slower growth accelerates the absolute and relative decline of its military power. For anyone who's watching, the message is clear: the US will have to transfer more of the burden of keeping the peace to its allies and partners. The trouble is that the GFC ravaged Western Europe, resulting in dwindling defence budgets and diminished armed forces across NATO. The sobering implication for Australia is that our days of free-riding are numbered. We have to contribute more, both to our own defence and to collective efforts with others. The 2016 DWP reflects that reality, which will become starker if US growth remains sub-par or falters in the years ahead.

If the arithmetic of Western military power isn't worrying enough, the domestic political implications of the post-GFC malaise are no more encouraging. In Europe, reactionary politics is making a something of comeback in a haunting echo of what happened in the economic turmoil of the 1920s and 1930s. In the US, the insurgent candidacies of Sanders and Trump are undermining the apparent consensus on the global role of the US. And while Sanders seems merely ambivalent, Trump is peddling a truly bizarre brand of belligerent isolationism. These may be aberrations, but longer term US demographic trends will diminish the proportion of voters who identify with the postwar generation that defined the country as the leader of the free world. Consequently, quite apart from the question of American economic and strategic capacity, there's an emerging question about the US's willingness to play the role it has since the 1940s. That question will only become more acute if the American economy fails to recover.

Finally, the failure to rebound after the GFC has both exacerbated and highlighted the plight of US blue-collar workers (known there as the middle class) in an economy profoundly altered by immigration, globalisation and mechanisation. Although new jobs have been created, the wages of many have remained stagnant for decades while the social safety net has become tattered. Despite the offsetting impact of cheap manufactured items, domestic support for free trade is wavering. Even Hillary Clinton, the most internationalist of the presidential hopefuls, has taken a position in opposition to the recently negotiated, but yet to be ratified, Trans-Pacific Partnership, of which Australia is a member. In the scheme of things, the success or failure of the partnership wouldn't by itself be a big deal for Australia. However, it would see America abandon its leadership of the international free trade agenda, and potentially foreshadow an appetite for rolling back its openness for trade. For Australia's sake, it's good that such a development is so far only an outside possibility.

Of course, all of the risks outlined here would be far graver if the global economy were to suffer a repeat of the GFC. The difference a second time around would be that governments shackled with high debt would struggle to refinance banks and deliver fiscal stimulus by conventional means. It's in such a dire situation that helicopter money drops and other extreme measures might be considered. The likelihood of a second financial crisis is presumably low. Although banks successfully fended off the more extreme calls for regulation and breaking them up, capital requirements have been tightened, systemic risk is more closely monitored, and periodic stress testing is now conducted. Yet, as always, we don't know what we don't know.

China

The experience of emerging economies during and after the GFC has been varied. At the moment, India is doing okay, Russia is a mess and Brazil looks increasingly to be in trouble. And China, as the world's second largest economy and Australia's largest trading partner, deserves close examination.

Before the GFC, China relied on a combination of manufacturing exports and domestic investment to generate annual growth of around 10%. The GFC caused consumption to fall in advanced economies, along with international trade. China responded quickly by substituting domestic investment for exports. In the years following the GFC, Chinese demand for commodities skyrocketed, driving up Australia's terms of trade and currency. Indeed, the zenith of Australia's terms of trade occurred in 2011, rather than in the 'resource boom' years before 2008, when investment in resource projects was more important than exports.

But there's a limit to the number of eight-lane highways, high-speed trains and multi-storey apartments that can be sensibly built, even in a country of 1.3 billion people, so over the past few years China has been trying to shift from growth based on exports and investment to more sustainable domestic consumption. That's easier said than done. Chinese household savings have been remarkably high during the reform era, in part because China's lack of a social safety net forces individuals to self-insure against risks and self-fund in other areas. At the same time, China's policymakers have set interest rates on savings artificially low to provide cheap finance for state-owned enterprises and provincial government projects. Thus, attempts to boost household consumption face twin headwinds: the absence of a social safety net and a political economy in which savings are siphoned off to vested interests in a

corrupt state and quasi-private sector. It's not surprising, therefore, that progress has been less than expected. So it was that, after announcing supposed 'supply-side' reforms to boost household consumption last year, China's policymakers soon reverted to government-directed investment to sustain growth, although they settled for closer to 6.5% than 10%.

Although China's renewed focus on investment-led growth has helped to arrest the decline in commodity prices (to our benefit), there are mounting risks in the move. It's likely that an increasing number of the investments will be unprofitable and therefore translate into underperforming loans. China is already awash with manufacturing overcapacity, vacant real estate and public works projects for which the costs outweigh the benefits. The risk is that the banking sector will eventually fall into crisis, much as occurred in the advanced economies in 2008. Although the Chinese Government probably has enough borrowing capacity to refinance its banks—although ultimately at a further cost to Chinese households—there's a risk of the disruption spreading to a still fragile global economy. Even if the problem were to remain limited to the China, the potential fall in demand for commodities would have consequences for the Australian economy.

Australia

As mining investment slows down, the Australian economy is in transition. It's hoped that the Australian economy, assisted by a falling dollar, will grow new competitive industries that will both generate exports and displace imports. For the moment, we're benefiting from the wave of investment that accumulated during the resources boom. It's less clear what comes next. That will depend on the decisions taken by firms and entrepreneurs and the consumers they seek to satisfy—such is the nature of a market economy. As we've seen, a number of external economic risks could disrupt the transition. There's also a risk that the transition itself will prove disappointing.

There's no guarantee that the next wave of jobs will deliver the high productivity needed for strong growth; nor can we be sure that the productivity of existing jobs will grow as strongly as in the past. Neither failure would be surprising. The global slowdown in productivity gains over the past decade has so far defied explanation, leading to what's been termed the 'productivity paradox'. If productivity growth remains constrained, so too will our economic growth. One consequence of slower growth is that it would make government debt less manageable and increase the burden passed on to future taxpayers.

Even if we were assured that growth would ultimately return to robust levels, there'd still be good reasons to put a priority on reducing government debt. Among the many responsibilities of government, one of the most important is to manage the risk of economic shocks, including by backstopping bank deposits and, when necessary, providing fiscal stimulus. Playing that critical role demands access to borrowing, which in turn requires that government debt be kept at a manageable level. While the share of GDP spent on defence is a questionable proxy for the adequacy of our defence firepower, government debt as a share of GDP is a good proxy for our vulnerability to economic shocks.

Australia escaped the worst of the financial crisis, but the nation's net debt is now projected to peak at 19% of GDP in 2017–18. While this is decidedly low compared with other advanced economies, our vulnerability to economic shocks is elevated by our narrow export base and relatively high household debt (both as a share of GDP and as a percentage of individuals' disposable income). Since 2012, projected deficits have repeatedly been revised upwards due to falling government revenues. On the basis of the latest Treasury estimates, the budget is expected to remain in deficit until 2020–21.

The true situation is undoubtedly worse. The Treasury's 2020–21 date relies on the unsustainable unilateral transfer of billions of dollars in health and education costs to the states and territories in the 2014 budget. In addition, there's a risk that the final cost of the newly created National Disability Insurance Scheme will grow more quickly than is currently expected.

The tension between defence spending and deficit reduction is inescapable. Planned increases in defence funding overlap with the timetable for returning the budget to surplus. We can't have our cake and eat it too. Claims that local defence spending will significantly spur economic growth are implausible. Take as an example the much-lauded \$88 billion naval construction program. On the scale of the 10-million strong Australian labour force, the promised 5,500 or so shipbuilding jobs are a drop in the ocean. Moreover, despite talk of 'high-tech manufacturing', much of the work will be routine fabrication. Critically, almost all of the key components and advanced weapons systems for our future naval platforms will be imported.

Squaring the circle

If the only problem we faced were balancing investments in economic and strategic security, things would be bad enough. But that task has to be performed against a background of a volatile electorate eager for lower taxes and improved government services. The resulting three-way tussle will be a constant challenge for future governments.

Although the long periods needed to acquire military assets demand a degree of funding predictability, slavish adherence to the White Paper funding trajectory would be a mistake—as would be a decade-long rigid timetable for deficit reduction.

Flexibility will be required. Although the long periods needed to acquire military assets demand a degree of funding predictability, slavish adherence to the White Paper funding trajectory would be a mistake—as would be a decade-long rigid timetable for deficit reduction. As our strategic and economic environments evolve, future governments will have to rebalance expenditure between the two areas.

Ultimately, hard decisions are going to be needed, not just to free up resources for deficit reduction and increased defence spending, but also to commence the next wave of reform. In an increasingly competitive global economy, Australia can't rely on the comfort of continuity.

6 PRIORITIES IN AUSTRALIA'S REGIONAL ECONOMIC DIPLOMACY

Shiro Armstrong

Key points and recommendations

- The world's economic centre of gravity continues to shift to Asia, and Australia benefits greatly by being an integral part of Asia's economic transformation.
- Australia can be a proactive partner as the leading edge of economic liberalisation and the reform of major regional economies through bilateral and regional initiatives. As it has done in the past, Australia has the potential to play a role in shaping the Asian economic cooperation agenda in a way that deepens regional economic linkages and lifts the growth potential of Asian economies.
- It's in Australia's and the region's interests to deepen economic integration through cooperation and connectivity. Keeping markets open, flexible and interdependent will ensure a more prosperous, secure and stable region.
- Australia will have to deploy deft international economic diplomacy to make a positive difference to its economic security.
- Australia should:
 - conclude an ambitious and credible Regional Comprehensive Economic Partnership (RCEP) agreement
 - as a member of both the Trans-Pacific Partnership and RCEP agreements, work with other regional partners towards a broader Free Trade Area of the Asia-Pacific and avoid the fragmentation of economic relations in the region
 - aim for high-quality bilateral agreements with India and Indonesia that help to deepen their reforms and be stepping stones to further regional initiatives, such as the RCEP.
- In the medium term it will have to invest in capacities across business, government and society to make the most of these opportunities in our region.

Australia's economic transformation and the region

Australia is in the middle of a major economic transformation. The once-in-a-lifetime commodities boom over the past decade is now over. China's industrialisation demanded iron ore and energy, bringing Australia's terms of trade—the price of Australia's exports relative to its imports—to a historic high in 2011. The natural resources sector and the Australian dollar both rose and then fell, creating opportunities and challenges during the transition. As the dollar strengthened and productive resources shifted to the mining sector, manufacturing became less competitive and many industries suffered or shut down, including the automobile manufacturers.

The economic task for Australia is now to upgrade industry, expand high-quality services exports, lift agricultural productivity and establish higher value-add manufacturing. Realising the nation's higher value-add comparative

advantage and lifting its living standards will require deeper engagement with Asia. The good news is that the transformation underway in Asia is complementary to those objectives.

Australia enjoys mature economic relations with the advanced economies of the US, Japan and Europe, but the major changes and dynamism will continue to come from Asia. Asia is already home to more than 500 million of the world's middle class, and that number is projected to be over 3.2 billion by 2030, or more than 60% of the world's middle-class population. Asia's middle class is already mobile and is consuming higher quality services and goods with its growing wealth.

The Chinese economy is undergoing a major transition of its own, from an investment- and export-led to a consumption-driven economy. After an unprecedented three decades of 10% growth a year, growth has slowed to under 7% a year. The downward Chinese growth trajectory is natural at this stage of the country's economic development. A slower rate is expected to sustain development that avoids a hard landing, and a further slowdown over the next decade is expected. But even at 6% Chinese growth will be among the highest in the region and have a larger impact than growth elsewhere because of the scale of China's economy.

Australia continues to be important to China as a secure and stable supplier of energy and strategic raw materials. Its share as a supplier of iron ore to China has risen considerably since the resource boom because of the quality, cost and reliability of Australian ore. There's now an opportunity to be at the forefront of China's economic transition through the China–Australia Free Trade Agreement (ChAFTA) and engagement in the Chinese agriculture, services and other markets, which are growing in size and sophistication and in which high-quality consumption is becoming more important.

Another Asian giant, India, is undergoing a transition of its own as it looks to cash in on its demographic dividend and find productive jobs for the tens of millions of young workers entering the workforce each year. After a period of underwhelming performance in the past decade, economic growth is now close to 8%, making India one of the world's fastest growing economies. The government's Make in India reform program aims to continue that by turning India into a manufacturing powerhouse. Much work has to be done in India to achieve that, including investing in infrastructure, reforming rigid land and labour laws and shifting the mentality of protectionism to welcome international investment and competition. Australia is negotiating a bilateral comprehensive economic cooperation agreement with India and is positioned to play a supportive and active role in India's opening up.

The stakes are high in the attempt to effect reforms and keep markets open across Asia. Success means lifting many millions more out of poverty and a middle class hundreds of millions larger. For example, if growth stalls in Southeast Asia and countries get stuck in the middle income trap—unable to redirect their growth models and restructure their institutions to break through to higher incomes—that will be a huge lost opportunity. Much slower growth could also feed into social or political instability. So giving effective priority to these economic policy initiatives is a major element of Australia's security strategy.

There's a lot at stake for Australia in Southeast Asia's future. Australia's play into regional affairs is most effective through mobilising coalitions through regional institutions and taking a lead role in shaping cooperation in Asia. Australia has bilateral trade agreements with Thailand, Malaysia and Singapore and is about to start negotiating one with Indonesia, but those bilateral initiatives need to leverage broader reform and be deployed strategically to advance regional cooperation. Simply negotiating political trophies that boost exports of just some Australian farmers and exporters doesn't effectively capture the opportunities that there are in the region.

Making bilateral agreements work

Australia's economy is already substantially open, with low barriers to trade and investment by international standards, due primarily to unilateral liberalisation and reform in the 1970s, 1980s and 1990s, although there are growing worries about the management of its foreign investment regime. Australia's foray into bilateral preferential trade and economic agreements (or 'free' trade agreements) started with Singapore in 2003 and the US in 2005. The

US deal is estimated to have cost Australia US\$50 billion in diverted trade and only slowed the fall in US trade shares for Australia as Asian economies became more important.¹

In 2014, Australia concluded a trifecta of bilateral deals with China, Japan and South Korea—three of the nation's top four trade partners. The Japan–Australia Economic Partnership Agreement was the first agreement to liberalise Japanese agriculture to any significant extent and gave Japanese investment in Australia equal treatment to investment from the US. The agreements with Korea and China undid the preferential access that New Zealand agriculture and ASEAN countries had in those two markets and levelled the playing field for Australian produce there.

Australia has trade agreements with ASEAN and New Zealand and with Chile. Canberra is currently negotiating with the European Union, India and the Gulf Cooperation Council and about to restart negotiations with Indonesia. Among the agreements being negotiated, the European Union is the largest partner, and it will be important to use that agreement to effect reforms in Australia and expand services and other high-quality markets in Europe. It will also be important to ensure that Australia gets the same access to the European market that the US is seeking in its major Transatlantic Trade and Investment Pact negotiation.

The two deals under negotiation with India and Indonesia require particular attention and will be much more important if they can be used as stepping stones for broader and stronger commitments at the regional level. Deploying Australia's diplomatic energies to India and Indonesia is a high priority, alongside working with China to pushing the frontier that has been opened up through the ChAFTA.

Narrow agreements done for merely diplomatic rather than economic reasons may benefit some producers and achieve some liberalisation but would be missed opportunities, with potentially adverse consequences.

These bilateral deals could, at best, lead to agreements that give momentum to Australia's, India's, Indonesia's and even China's reform programs and complement their liberalisation efforts regionally. At worst, they'll lead to agreements that are narrow and don't advance the reforms or, in China's case miss out on the opportunity that's been offered. Narrow agreements done for merely diplomatic rather than economic reasons may benefit some producers and achieve some liberalisation but would be missed opportunities, with potentially adverse consequences. Australia's FTA with the US created substantial trade diversion because it was done for political rather than economic reasons. Australia's agreements have the potential to be significantly liberalising and conducted in the context of the broader regional economic liberalisation and cooperation agenda, most prominently through the ASEAN+6 Regional Comprehensive Economic Partnership (RCEP) agreement.

Australia's recent agreements with Japan and China demonstrate innovation in negotiating trade agreements that can lock in broader liberalisation and make FTAs more than one-shot games.

Agreements need to have in-built mechanisms to ensure that they are avenues for ongoing cooperation and reform. The ChAFTA, and to a lesser extent the Japan–Australia Economic Partnership Agreement, include mechanisms for revisiting the agreements as circumstances evolve. The deal with Japan includes a 'most favoured nation' clause so that, if another country gains improved access to Japanese agricultural markets, Australian negotiators have the right to reopen negotiations to achieve equivalent access. The ChAFTA deal entrenches an ongoing process by including review mechanisms for furthering liberalisation when either side identifies barriers, and ongoing work to secure trade and investment liberalisation. The Australia – New Zealand ASEAN FTA includes an ongoing economic cooperation agenda, as is common in ASEAN, whereby officials from each country meet regularly to build trust and

understanding. APEC serves this useful function: officials meet routinely and cooperate on economic reform and trade liberalisation by sharing experience and building capacity and consensus.

All three Northeast Asian agreements increase the threshold for most foreign direct investment in Australia from \$254 million to \$1.094 billion before investment projects are subject to screening by the Foreign Investment Review Board. Lower thresholds are applied to investment by state-owned enterprises (mostly an issue for Chinese investment) and investment in agriculture and real estate. That gives investors from Japan, China and Korea the same treatment as investors from the US, New Zealand and Chile, which have enjoyed preferential treatment since signing bilateral deals earlier. Indonesia, India, the European Union and other negotiating partners can also expect a lifting of the threshold.

However, it's time for Australia to more systematically reform its foreign investment regime. Australia has no substantial interest in using the investment screening threshold as negotiating coin and should lift the threshold unilaterally for all sources of investment. That would remove discrimination against foreign investment based on the source country (a treatment that was introduced by the piecemeal nature of bilateral agreements) and remove unnecessary complexity. For Australia, direct foreign investment helps maintain high productivity, living standards and economic security. It doesn't have enough domestic savings to develop infrastructure and its natural resources, and openness to foreign investment helps maintain a globally competitive economy.

The ChAFTA includes an investment facilitation agreement that improves access for skilled labour within the framework of the existing visa system. That provision became a prominent political sticking point in Australia because of concerns about potentially large inflows of Chinese workers into Australia to deliver investment projects. While the agreement doesn't give Chinese workers preferential treatment, it attempts to make it easier to use the temporary migrant worker scheme for preferred investment projects. Where domestic labour is difficult to source for infrastructure projects, it's in Australia's interest to source skilled labour temporarily from China and other countries in the Asian region.

For Australia, it's important to gain access to Indian and Indonesian growth markets and to do so in a way that's consistent with further liberalisation and reform in both countries. As Australia restructures its economy after the end of the resources boom, increased competitiveness and opportunities in the services sector, agriculture, manufacturing and new markets will be important. The nation already has low barriers to trade, but the agreements can be used to promote skilled migration and investment and to break down discriminatory barriers against foreign commerce and workers.

Megaregional agreements

Australia has long been an active supporter of the multilateral trade system. But multilateral liberalisation through the Doha round has stalled, and many countries have turned to preferential trade deals among smaller groups. Thus far, the FTAs in Asia haven't significantly affected trade and investment flows because they often exclude sensitive sectors, they don't require significant reforms behind the border, and barriers to trade at the border are already low.

The Trans-Pacific Partnership (TPP), Regional Comprehensive Economic Partnership (RCEP) and Transatlantic Trade and Investment Partnership megaregional agreements present new opportunities to make progress with larger groups of countries. They have the potential to increase trade and investment and to change patterns of trade and investment. They also raise the issue of how they might best relate to the global trading system.

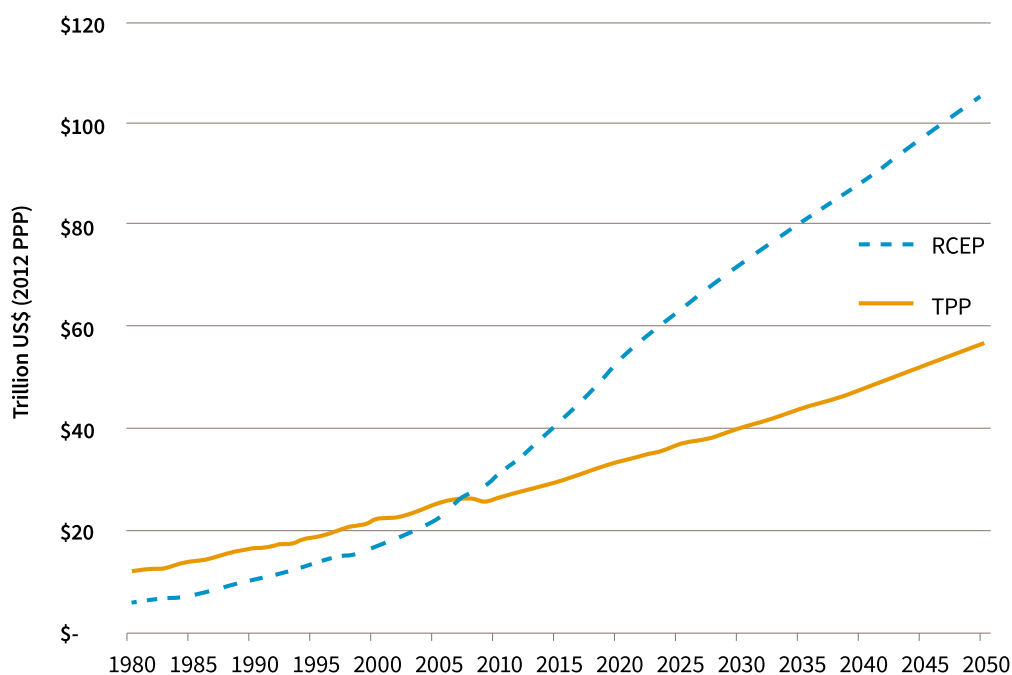
The US-led TPP aims to be a high-quality, 21st-century economic agreement that defines new rules for commerce relevant to modern business. The TPP negotiations concluded in 2015; the 12 members are Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US and Vietnam. All are APEC members, including all the North and Latin American members of APEC. Indonesia, China, South Korea, and other ASEAN states aren't members of the TPP.

The biggest challenge for the TPP is ratification in the members' parliaments. There's now a real risk of the US Congress not ratifying the TPP, even after the election in November 2016. Most other member states should be able to ratify, but the TPP requires only Japan and the US to formally come into effect. If the US doesn't ratify, that would have major adverse consequences beyond US economic engagement in Asia. The TPP is the economic arm of the US 'rebalance' or 'pivot' to Asia, and its collapse would have geopolitical consequences. It also would signify a US retreat from the global economic system. Australia and other TPP partners should lobby the US to stay engaged and locked in to the Asia-Pacific region.

Of potentially more economic consequence to Australia and Asia is the RCEP agreement, which is under negotiation and is planned for conclusion by early 2017. The RCEP comprises the 10 ASEAN member states plus Australia, China, India, Japan, Korea and New Zealand. Built on the existing five ASEAN+1 FTAs, it was an initiative of Indonesia, encouraged by the formation of the TPP, with ASEAN as its core. At best, it will expand and reinforce the ASEAN Economic Community. The RCEP aims to bring binding targets to Asian economic cooperation but will also build in an ongoing cooperation and reform agenda.

The RCEP countries are already a larger part of the global economy than the TPP. They comprise a number of faster growing countries, led by India and China. The RCEP also includes some of the least developed countries in the region, such as Cambodia, Laos and Myanmar, which aren't APEC or TPP members. The GDP of the RCEP group—on conservative projections—could be close to double the TPP's in 15 years (Figure 2).

Figure 2: GDP projections of RCEP and TPP groups, 1980 to 2050 (trillion US\$, 2012, purchasing power parity)



Note: IMF projections to 2020, followed by projections based on an estimate of potential labour productivity for countries currently in transition, given institutional quality measured by the World Economic Forum's Global Competitiveness Index.

Source: P Hubbard, D Sharma, 'Understanding and applying long-term GDP projections', East Asian Bureau of Economic Research Working Paper 119, 2016.

Many RCEP members—including Australia—are in the middle of economic transitions that will be made easier by a more open and dynamic external environment. Large neighbours committing to serious reforms and opening up their economies will not only benefit them but make it easier for others to implement domestic reforms. Many RCEP members, such as India, are coming from behind on economic and trade reform and have economies that are relatively more protected from international competition. That means the gains from opening up will be large. Given

the openness to less developed countries in the RCEP and the special and differential treatment afforded to them, Australia has an interest in helping those countries make ambitious commitments and achieve their ambitions over time.

The RCEP is important in its own right but becomes even more important in the light of the TPP and other initiatives that include some East Asian members but exclude others.

Indonesia, Thailand and South Korea have expressed interest in joining the TPP. China has also announced that it wishes to join eventually. But expanding the membership of the TPP won't be easy. Even after the TPP comes into force, assuming ratification by the US Congress, it isn't clear what hurdles will have to be cleared by prospective members. And, given that much of the TPP was negotiated bilaterally between the 12 members, prospective members will have to negotiate with incumbent members one by one, just as Japan, Mexico and Canada had to when they joined negotiations in 2012.

China, Indonesia and India won't be part of the TPP in the foreseeable future. That elevates the importance of the RCEP for them and the rest of the region. There's a real risk of trade and investment being diverted away from non-members towards the TPP group—by design, to create incentives to join. Strict rules of origin that require, for example, Vietnamese clothing manufacturers to source raw materials from another TPP member in order to take advantage of preferential access to the large US clothing market have meant that some factories are already shifting from China to Vietnam. The US clothing market was the main prize for Vietnam, and that provision in TPP alone will incur costs for China and other clothing manufacturers in Asia.

Because many in Asia won't be able to join the TPP any time soon and the TPP imposes real costs on non-members, the RCEP is even more important as a liberalising and growth-promoting strategy. To avoid damaging regional economic integration and the growth of the supply chains that are its leading edge, the region needs a high-quality RCEP agreement to complement the TPP and to offset some of the costs of the TPP to non-members.

Australia, Japan, Vietnam, Malaysia, Singapore, Brunei and New Zealand are members of both the TPP and the RCEP. Australia can play a leadership role in bridging the two agreements, perhaps leading to a broader regional agreement such as a Free Trade Area of the Asia Pacific. A high-quality RCEP and an effort to bridge the TPP and RCEP would be a significant contribution to the openness and strength not only of the regional economy but also of the global trading system. Asia's size and growth potential mean that an open and integrated Asia will be a driving force for global trade.

Conclusion

Australia is in a region undergoing a once-in-a-lifetime economic transformation that has already shifted the epicentre of global economic activity. There's an opportunity for Australia to be at the cusp of those changes and to help shape the regional environment to facilitate them.

Australia's bilateral initiatives in Asia can be effective stepping stones to broader liberalisation and help realise more ambitious commitments in the RCEP agreement.

The priority for Australian economic diplomacy should be to achieve the best outcome possible in the RCEP. A high-quality RCEP agreement will have high pay-off for Australia and the region.

Deepening regional economic integration and keeping Asia open to business will lift growth potential in all the major Asian economies, furthering economic security and playing a major part in the successful management of political relations.

Note

- 1 Shiro Armstrong, 'The economic impact of the Australia – United States Free Trade Agreement', *Australian Journal of International Affairs*, 2015, 69(5).

7 A NEW SECURITY DOMAIN—CYBERSPACE

Tobias Feakin, Jessica Woodall, Liam Nevill, Zoe Hawkins

Key recommendations

- Effectively implement the recently announced Australian Cyber Security Strategy.
- Deliver an international cyber strategy. Appoint an ambassador who will be able to hit the ground running and quickly engage internationally. Increase the budget for capacity building in line with regional aspirations outlined in the international strategy.
- Devise a strategy to fill IT skills shortages in the immediate short-term (<2years).
- Ensure that the government's threat information sharing centres are accessible, productive and effective. Removing red tape around security classifications and access to information will be crucial, as will providing threat information that's timely, relevant and actionable.
- Release a publicly accessible Defence Department policy on how cyber operations, both offensive and defensive, are governed and integrated into broader Defence activities. This will support the coherent development of those capabilities, assist efforts to shape international cyber policy in line with the whole-of-government strategy and maintain a rules-based global order as outlined in the 2016 DWP.

Cyberspace offers a rare opportunity in the national security space, simultaneously presenting a great security problem and an area of great economic opportunity. Decisions made by the Australian Government to increase cybersecurity, increase resilience and harden our networks to attack are at the same time creating a healthier environment for the continuing growth of a digitally enabled Australian economy. The creation of a secure and trusted online environment that delivers seamless services will foster greater confidence in the Australian marketplace and simultaneously reduce our exposure to cybercrime, espionage and online disruption.

The new Australian Cyber Security Strategy, the associated National Innovation and Science Agenda and the 2016 DWP provide a clear and well-prioritised blueprint to enable the incoming government to quickly address the challenges and opportunities presented by cyberspace. Connected to the release of the strategy was the announcement of a four-year \$230 million investment to enhance Australian cybersecurity capability and launch new initiatives. The Australian Government hasn't invested in this area since 2009, so it's well overdue.

Maintaining the interest of the highest office in the land will be important for ongoing implementation, resourcing and policy development. It's encouraging that the strategy has brought with it a number of new positions, including a Minister assisting the Prime Minister on Cyber Security. However, given Australia's often changeable political environment, it's crucial that a strong bureaucracy independently drives and sustains our cybersecurity agenda.

The international dimension

There's a great opportunity to shape thinking in our region on key international debates of the day, from cybersecurity norms of behaviour and international law to who's responsible for controlling the very nuts and bolts of the online world. Australia's last cyber strategy, released in 2009, revealed little about our thinking on key international issues and lacked any concrete plan for how Australia could shape and creatively engage the region on cyber issues. As a result, Australia missed a golden opportunity to influence regional thinking on cyber matters.

The 2016 Australian Cyber Security Strategy goes some way to resolving those issues. It offers new detail on Australia's approach to international cyber policy, sets out a sensible working agenda for the next four years and lays the groundwork for expanded engagement. To achieve this, the Minister for Foreign Affairs will appoint Australia's first Cyber Ambassador, which will allow Australia to play an active and influential role in the international cyber discussion. The creation of such a role is a smart move and a quick and sensible way to elevate the profile of cyber issues within DFAT and on the international stage. The 2009 strategy prioritised bilateral engagement that was to mainly take place with like-minded allies. While conversations with our existing partners are always constructive, Australia must make a more concerted effort to reach out to those with whom we don't always agree.

Through careful and considered diplomacy, we have already established a trusted leadership position on cyber issues in the region.

Through careful and considered diplomacy, we have already established a trusted leadership position on cyber issues in the region. Australia has one of the highest levels of cyber maturity in our region. This hasn't gone unnoticed by other governments, which often seek out a guiding word when developing their own policies and structures.

It's from this platform that Australia should strive to more actively promote its ideal vision of the online environment—one that's open, safe, and secure—while facilitating economic exchange and innovation. The new ambassador will have a challenging and multifaceted role, including navigating complex norms work in the UN Group of Governmental Experts, continuing already fruitful work in the ASEAN Regional Forum, supporting trade promotion efforts, and helping resolve the contentious issue of internet governance.

The Cyber Ambassador will also have a key role to play in crafting Australia's first public international cyber strategy, which was also announced in the Australian Cyber Security Strategy. A good international cyber strategy will pick up where the new national strategy left off by laying out a more detailed position on key global debates, presenting a carefully considered plan for international engagement and integrating the private sector into our international strategic thinking.

There's significant opportunity to build capacity and gain influence in our neighbourhood—an opportunity that hasn't gone unnoticed by other governments inside and outside the region. Pleasingly, the new strategy brings a focus to capacity building in our region. Such forward-leaning activities help to underpin almost the full gamut of international cyber issues, from confidence building and norm formation to economic exchange, cybersecurity and incident response. If the staffing, subject matter expertise and infrastructure don't exist in our neighbourhood, neither does constructive international discourse, or effective efforts to improve network protection and close the digital divide.

Over the next four years, the government has allocated \$6.7 million to sustain such work. While that's a significant improvement on DFAT's existing shoestring budget for cyber work, it remains a modest figure, particularly when compared to the budgets of our key partners, such as the UK's A\$14.3 million four-year commitment to international

cyber engagement and capacity building. Without a doubt, the budget allocation should continue to rise in order to keep pace with our lofty international ambitions.

The 2016 DWP and the Australian Cyber Security Strategy

The Department of Defence also has a significant role to play in supporting Australia's vision for the internet. Preceding the announcement of the Australian Cyber Security Strategy, the much-anticipated launch of the 2016 DWP gave the government an opportunity to answer questions about the type of defence force and capabilities that will be needed to respond to cyber threats. Unfortunately, the DWP 2016 hasn't kept up with the pace of change in this area. Indeed, it tells us very little about how Australia considers military cyber capability as part of broader state power or how Australia will fund, structure and posture its capabilities to deal with cyber threats.

On the positive side, cybersecurity has its own dedicated spending line, including a commitment to spend \$300–\$400 million on the effort. The larger \$730 million investment in threat research is set to include funding for cyber threat and capability R&D, but it's not clear exactly how much. There's also a commitment to grow Defence's cyber workforce, including 800 new jobs to be created for 'enhancements to intelligence, space and cyber security capabilities', and a further 900 ADF positions needed to make those enhancements. However, those positions will be spread across supporting 'information requirements of the Joint Strike Fighter, surveillance aircraft and navy ships as well as supporting special forces and cyber security'. Spreading 1,700 bodies across such a multitude of complex and important tasks will result in a thin layer.

A significant disclosure in the strategy is the announcement that the Australian Government possesses 'considerable' offensive cyber capabilities, housed in the Australian Signals Directorate. When announcing this capability, the Prime Minister was careful to note that its use was subject to 'stringent legal oversight and is consistent with our support for international law'. This is an important limitation to reassure the international community that Australia will exercise restraint in the use and development of such capability. Further, as noted by the Prime Minister, being more transparent about the existence of such a capability gives Australia a more credible position from which to engage internationally on the future of cyberspace. Being more transparent about what capability Australia possesses, and the conditions under which it might be used, will help to manage the risk of conflict.

Unfortunately, this transparency didn't extend to the 2016 DWP. Its failure to address an offensive cyber capability, in the light of the Prime Minister's admission, leaves an even larger hole in the way it addresses cyber threats and responses. To fill that gap, Defence should be tasked with delivering a cyber operations strategy that outlines how both offensive and defensive capabilities are governed and integrated into broader Defence activities. This will support the coherent development of those capabilities, assist efforts to shape international cyber policy in line with the whole-of-government strategy and maintain a rules-based global order, as outlined in the 2016 DWP.

Private sector engagement

Without reliable and safe online environments in which to do business, companies are unlikely to commit to Australia and build economic capacity here. Recognising that, the Australian Cyber Security Strategy addresses the issue of cybercrime.

Cybercrime can seriously harm the confidence of society in the safety of cyberspace, undermining many of the potential benefits of digital commerce for greater productivity, economic growth and innovation. Additionally, many cybercrime groups are growing their capability to the extent that they are more sophisticated than some state actors. This is why a significant component of the new strategy is focused on cybercrime. Estimates of the cost of cybercrime to the Australian economy vary from \$1 billion up to \$17 billion per year, justifying the commitment in the strategy to sponsor research that assesses the cost of cybersecurity incidents to Australia.

The strategy also commits significant funding of \$36.4 million over four years to increase the capacity and capability available to collect and analyse cybercrime intelligence, investigate and respond. This capability lies in the Australian Crime Commission and the Australian Federal Police, which will have to look hard to find the right talent to use all the promised additional funding. Combating cybercrime is necessarily an international pursuit, and engagement with foreign partners on cybercrime will be a key part of the responsibilities of the new Cyber Ambassador, particularly when it comes to achieving one of the priority tasks from the strategy: shutting down overseas safe havens for cybercriminals.

Achieving Australia's objectives in cyberspace will require a whole-of-nation, not just a whole-of-government, effort. At the heart of the strategy is a new paradigm for public-private engagement on cybersecurity. Business has been elevated from 'partner' to 'co-leader' in the new 'National Cyber Partnership' to jointly drive the implementation of the strategy. It invites business to co-lead and co-design initiatives such as new voluntary standards, jointly operate new cyber threat sharing centres, and undertake combined cyber incident exercises. Engaging the owners and operators of most of Australia's cyber infrastructure is a more sophisticated approach to national cybersecurity. In doing so, the government acknowledges the criticality of engaging the combined skills, expertise and capabilities of the public and private sectors to manage cyber threats and reap the economic rewards of connectivity.

The announced transfer of the Australian Cyber Security Centre to a new facility in Canberra promises to unlock its potential for greater private sector interaction. The new cyber threat sharing centres in capital cities and the online cyber threat sharing portal should also assist in integrating public and private sector information. To be truly successful, they'll need government to provide meaningful, actionable information in a timely manner, and the private sector to also engage in a constructive exchange of information.

Other initiatives announced in the strategy will also better enable the private sector to manage cyber threats and embrace opportunities for digital economic growth. Voluntary cybersecurity governance 'health checks' for ASX 100 companies will seek to promote constructive organisational change and make cybersecurity a board-level issue. While small businesses received less focus than the top end of town, they've received a small boost with promised funding for penetration testing. That will not only encourage small businesses to be more resilient to cyber threats, but also help to further develop the Australian cybersecurity industry. The industry offers significant export opportunities for Australia, and the strategy supports its growth in several ways—including the growth of a skilled workforce.

While the initiatives announced in the strategy promise a new era of public-private partnership on cybersecurity in Australia, there are some old hurdles that must be overcome. Business has often lost interest in engaging with government, as the cost often appears to outweigh the benefits. Without clear articulation of government's policy goals, it's hard for business to stay engaged in the often laborious processes that government imposes on it. The success of the new strategy and its promised new partnership with the private sector will rely on government clearly stating its policy intent and purpose and sustaining engagement with the private sector now that the review has concluded.

Embracing the private sector to share in decisions that shape the national approach to cybersecurity will create better overall outcomes for both sectors, and should also provide for better co-investment in cyber initiatives. This will rely on clear, strong and consistent leadership from both sectors and a commitment to filling the significant gaps in Australia's cyber workforce.

Cybersecurity workforce

Creating a robust cybersecurity workforce is a fundamental prerequisite for achieving all the other elements of the Australian Cyber Security Strategy. Unfortunately, the industry's relative infancy means that current education trends aren't creating the workforce that will be needed to deliver the 'innovation, growth and prosperity' that the strategy promises. While developing Australia's cyber workforce in order to become a 'Cyber Smart Nation' is one of the strategy's key aims, it's been allotted just \$13.5 million of total investment.

Research suggests that there'll be a global shortfall of 1.5 million information security professionals by 2020, and in Australia the situation is acute. The Australian Government expects positions for computer security experts to increase by more than 20% over the next five years. In fact, trends on the ground are even more extreme: the number of computer security roles advertised on the SEEK job site increased by 60% in 2015 alone.

In the light of these trends, the strategy outlines an intent to increase the quality and quantity of individuals coming through all levels of Australia's cybersecurity education pipeline. The establishment of academic centres of excellence at universities is intended to enhance the quality of high-level cybersecurity education. Simultaneously, the strategy reveals plans to increase the number of cyber-skilled individuals by expanding cybersecurity training in registered training organisations, including TAFEs, and developing training for individuals at all career stages through cybersecurity short courses.

This workforce plan is part of a broader government effort to address Australia's low number of science, technology, engineering and mathematics (STEM) professionals. The National Innovation and Science Agenda aims to increase the number of young Australians equipped for the digital age by investing \$48 million in promoting STEM literacy in schools and \$51 million in enhancing the digital skills of students and teachers.

Private sector organisations are also already addressing the shortfall of cybersecurity professionals. The Commonwealth Bank and the University of New South Wales have established a 'security engineering partnership' aimed at 'boosting the nation's reserve of quality security engineering professionals'. Similarly, Macquarie Telecom is collaborating with the University of Western Sydney to provide cybersecurity scholarships. Others, such as Northrop Grumman, Telstra, Optus and Google, are also looking for future talent at all levels of education through STEM-focused programs, scholarships and competitions.

Despite those positives, the strategy could more directly address immediate skills gaps and gender representation. It prioritises tertiary cybersecurity initiatives and the training of executives, bringing focus to efforts that will deliver change the quickest. However, it doesn't address the fact that even those short-term goals will inevitably require several years of course design and implementation before change is felt on the ground. Cybersecurity graduates have to adjust to practical workforce dynamics, and it may take significant time for them to gain the knowledge and skills needed for them to truly add value to the industry.

Unfortunately, five years is a long time in the digital world, so we must consider more near-term alternatives. The National Innovation and Science Agenda includes an initiative to 'support innovation through visas' by attracting entrepreneurs from overseas with an attractive and simple pathway to Australian residency. However, this policy is currently limited to 'entrepreneurs with innovative ideas and financial backing from a third party'. Australia should consider expanding this framework to include cybersecurity experts and professionals in order to immediately address the serious need for a cyber-skilled workforce.

Achieving Australia's goals in cyberspace

The Australian Cyber Security Strategy lays out a clearly prioritised and funded plan to achieve Australia's goals in cyberspace, and should be an excellent blueprint for the incoming government, regardless of its political persuasion. Implementing the strategy requires the correct blend of the right individuals with the skills to mature productive collaboration with the private sector and galvanise the government to deliver to the best of its abilities.

For the government to deliver on the strategy, it will need leaders who can encourage the mix of technical and policy experts who make up the government cybersecurity patchwork to work towards the same goals. The strategy makes a big push to enhance public-private collaboration. That's nothing new, although the government hasn't quite taken the time to explain what 'reaching out to the private sector' entails in practice. To ensure that it can incorporate the private sector as true co-leaders of plans to improve cybersecurity, it must be clear and consistent in its approach and leadership.

Moreover, the relocated Australian Cyber Security Centre and new cybersecurity threat sharing centres must be accessible, productive and effective. Removing red tape around security classifications and access to information is crucial, as is providing threat information that's timely, relevant and actionable. Rules of engagement will need to be quickly established so that there's a clear understanding of both the expectations and the realities of what can be achieved.

The conversation between the public and private sectors needs to be continual. During the review, the Department of the Prime Minister and Cabinet stated that it engaged with 'over 190 public and private sector organisations'. It's vital that this engagement is continued. Particular care must also be taken to maintain links between the two sectors at both the working and operational levels, but also top-level engagement between corporate leaders.

Conclusions

Realising successful cybersecurity will require equitable relationships between the public and private sectors, a robust, accountable implementation plan, a process of continual engagement, top-level leadership that's aware, engaged and equipped to make a difference, and a plan that has substantial financial support.

With all these ingredients in place, Australia will be well positioned to succeed both at home and abroad.

Lastly, and perhaps most importantly, the government must ensure that Australia's cybersecurity policy and strategy evolve to meet emerging challenges within the framework of a long-term commitment by government to build capacity, relationships, security and economic exchange.

8 NEW SECURITY CHALLENGES

Paul Barnes, Dione Hodgson

Key recommendations

- Clarify an operational definition of resilience.
- Capitalise on the benefits of disaster mitigation.
- Enhance institutional learning after disasters.
- Align risk-based thinking with the practice of foresight.
- Enhance the role of the ADF in disaster management.

Climate change, risk and disaster resilience

Natural and technical disasters are a major strategic security issue in Australia.

The cost of natural disasters is growing exponentially. Deloitte Access Economics' *Building resilient infrastructure* report highlights the need to take disaster resilience seriously, as it will be governments (and therefore taxpayers) that bear the brunt of the costs.¹

The report estimates that in 2015 the total economic cost of natural disasters in Australia exceeded \$9 billion and is expected to rise to an average yearly cost of \$33 billion by 2050 due to population growth, increased infrastructure density and migration to vulnerable regions.

The major share of natural disaster costs will arise from damage to critical infrastructure, and \$17 billion (in present value terms) will need to be spent on the direct replacement of essential infrastructure.

The report also showed that, despite significant investment in new critical infrastructure (\$1.1 trillion between now and 2049), governments and business 'do not consistently consider the resilience of infrastructure when making investment decisions'.

In 2015 alone, the UN Office for Disaster Risk Reduction reported 346 disasters affecting up to 98.6 million people and contributing to US\$66.5 billion in economic damage. In addition, Asia and the Pacific in particular bore the brunt of 90 major storm events in 2015, which included 48 cyclone-strength storms.²

Climate projections released by the CSIRO and the Bureau of Meteorology in 2015 indicate that under all future emissions scenarios average temperatures will continue to increase and Australia will experience more heat extremes, greater intensity of extreme rainfall and fewer tropical cyclones with a higher proportion of high-intensity storms.³

There will also be an increase in extreme fire-related weather in southern and eastern Australia, longer and more severe droughts in southern Australia, rising sea-levels with an increased frequency of storm surge events, and warmer and more acidic oceans around the country.

According to the Intergovernmental Panel on Climate Change, this will result in major disaster risks for Australia; higher frequency of flood damage to housing, roads and other infrastructure; increased illness, deaths and infrastructure damage during heat waves; constraints on water resources in southern Australia; and a significant reduction in agricultural production in the Murray–Darling Basin.⁴

Because climate change will affect so many natural and human systems, it's ushering in a new and highly uncertain risk environment.

This chapter discusses five policy challenges:

- extending and consolidating our understanding of resilience
- recognising the benefits of disaster mitigation
- enhancing institutional learning after disasters
- aligning risk-based thinking with the practice of foresight
- enhancing the role of the ADF in disaster management.

Clarify an operational definition of resilience

There's no universally accepted standard or interpretation of the concept of resilience, even though a number of new fields use the concept.

Given that uncertainty, there's a need to clearly define resilience as an operational concept. Importantly, we need to know how it might help to make complex systems of infrastructure that provide a range of essential and amenity services more robust and reliable.

In simple terms, resilience (in organisations) relates to their ability and capacity to continue to function during and following a disturbance or to recover after a significant disruption.

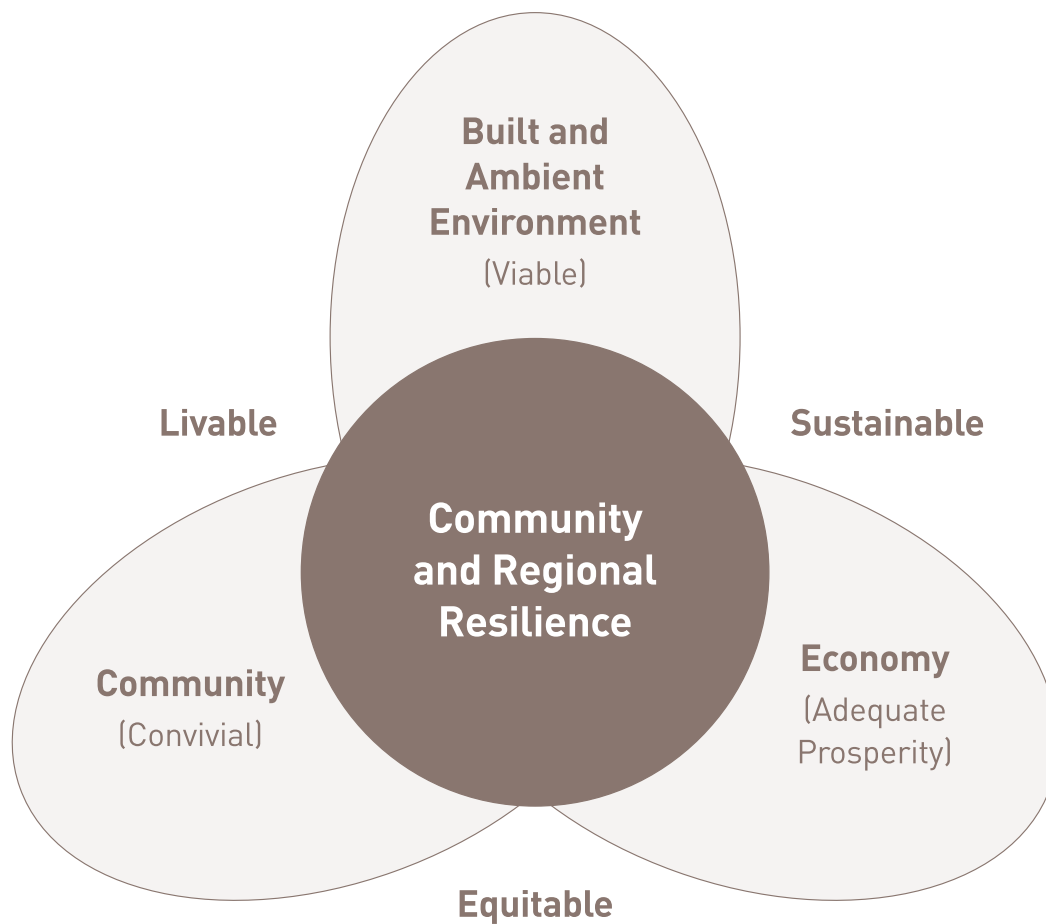
The promise of resilience is compelling, yet its realisation requires a means to consistently gauge how resilient a system of interest (in communities, organisations, or in the wider economy) needs to be. This is particularly difficult in modern settings, where human reliance on technological systems can exacerbate disruptions caused by natural or human-created disasters.

Even with the high level of sophistication in climate change models, there's variable understanding of what future extremes might occur at local levels.⁵ So, while 'community' resilience is referred to in many reports and institutional strategies, a key question is whether resilience is understood well enough as a social phenomenon to support and nurture its regrowth in devastated communities.

There's a pressing need to support the generation of a comprehensive definition of the principles of resilience, beginning at the community level. From that understanding, the development of effective measures of resilience and resilient practice can be better achieved.

Figure 3 shows a set of principles for establishing a baseline of enabling factors active in resilient communities and their surrounding regions.

Figure 3: Principles of community and regional resilience



Sources: Derived from T Hancock, 'Ecological sanity and social justice; public health in the Age of Osiris', *Alternatives*, 1981, 9:11–18; 'Sustaining health', background paper, York Conference on Health–Environment–Economy, Faculty of Environmental Studies, York University, Toronto, 1989; and UN, Report of the World Commission on Environment and Development: Our common future: transmitted to the General Assembly as an annex to [document A/42/427](https://www.un-documents.net/wced-ocf.htm)—Development and international co-operation: Environment, www.un-documents.net/wced-ocf.htm.

Ideally, communities thrive when people live in viable built and ambient environments, benefit from prosperous local and nearby economies and participate in convivial community life. Together, these principles support sustainable, liveable and equitable livelihoods.

As underlying principles, those elements may be seen as surrogate measures of ongoing community resilience and as recovery targets after disasters.

A further consideration is measuring policy outputs and outcomes across scales (local, state, national) to determine value-for-money investments, particularly in disaster mitigation.

Such an alignment supports program evaluation, the coordination of effort and efficient investment in mitigation.

Capitalise on the benefits of disaster mitigation

The 2030 Sendai Agenda for Sustainable Development Framework lists specific priorities that are critical. Priority Three of the framework, in particular, has significant relevance to Australia: 'Investing in disaster risk reduction for resilience' admonishes government and private sector institutions to invest in disaster risk prevention and reduction through structural and non-structural measures that are essential to enhance the economic, social, health and cultural resilience of people, communities, countries and their assets, as well as the environment.⁶

The Insurance Council of Australia understands this convergence very well, as do a number of insurance companies. The council suggests that climate change scenarios predict a progressive increase in the frequency and intensity of natural disasters over the coming 100 years.⁷

The council's message supports the key findings of the Northern Australia Insurance Premiums Taskforce, which recently released its report on the feasibility of options to lower insurance premiums in areas subject to high likelihood of cyclone damage.⁸

The taskforce found that mitigating the likelihood of damage is the only sustainable way of lowering insurance premiums in cyclone-prone regions of northern Australia, as well as saving lives and reducing property damage.

Mitigation could reduce premiums by up to 15%, as opposed to a government cyclone mutual or reinsurance pool. The mitigation options outlined in the report include stronger building standards, better retrofits for older homes, mitigation awareness campaigns and making insurance more responsive to mitigation.

Suncorp, Queensland's biggest insurer, recently introduced a new initiative to reduce premiums for home insurance by Queensland homeowners living from Rockhampton to the north of the state.

Branded as the Cyclone Resilience Benefit, it provides a range of options to reduce the cost of home insurance if homeowners add some or all of the mitigation actions suggested by James Cook University's Cyclone Testing Station.

Recognising and rewarding homeowners who make their homes more resilient shows what can be achieved if industry and communities work together on finding solutions to mitigating the effects of natural hazards and if those solutions are aligned to the intent of the Sendai Agenda.

While critically important infrastructure (assets) has been identified as the central part of investment planning and growth projections, more assessment is required on how to evaluate the effects of natural disasters on complex interconnected infrastructure systems.

Resilient infrastructure will play a crucial role in helping communities to withstand, respond to and recover from the potentially devastating impact of natural disasters. But there's still no requirement for government or the private sector to consider resilience when making investment decisions about future infrastructure.

The message is clear: Australia should be investing in disaster risk reduction by considering disaster mitigation options.

Enhancing institutional learning after disasters

With current evidence of significant threat from climate variability and greater vulnerability from urbanisation and reliance on technological systems, the need for better coordination in preparing for major disruptions and recovering from them has never been greater. While natural hazards can't be prevented, the way societies prepare for, respond to and recover from their impacts is under human control.

In recent years, many natural disasters in Australia have triggered government assessments and reports. A review and analysis of recent Australian disaster inquiries by the Monash University Injury Research Institute identified

the following common strategic issues and themes that needed to be addressed to enhance Australia's disaster management arrangements:

- critical infrastructure resilience
- state emergency management arrangements
- shared responsibilities between emergency management agencies
- professionalising the emergency management workforce
- research and databases
- gaps and opportunities from post-disaster evaluations.⁹

It's evident that gaps in organisational learning can be filled by establishing standards and evaluation regimes for state-based agencies with disaster planning, response and recovery roles.

Post-emergency/disaster evaluations have become normalised in Victoria and Queensland with the creation of the role of Inspector-General for Emergency Management in each state.¹⁰

The usefulness of such roles suggests that they should be considered mandatory in all states and territories as a regularised means of implementing lessons learned and to reduce the likelihood of future shocks.

Align risk-based thinking with the practice of foresight

It's conventional to consider risk reduction and mitigation under the rubric of 'planning, preparation, response and recovery'.

However, both *planning* and *preparing* for disasters presumes a deep and effective understanding of the way 'unknown' factors and conditions can manifest and how they might directly or indirectly exploit organisational and institutional vulnerabilities.

Responding and *recovering* from disasters also assumes an effective appreciation of options for mitigation and the scale of consequences. This means that planners need consider what sort of future disruptions can occur, where they might occur and, importantly, their likely severity.

'Futures thinking' (or foresight) is a long-term planning practice that enables informed visions of the next 10, 20, 30 or more years to be realised.¹¹ Futures analyses don't aim to predict the future, but rather to provide a range of foreseeable yet considered descriptions and contexts about points of time or broadly brushed conditions and circumstances operating across a period of time in the future.

However, there's often a tension between imagination and realism in future scenarios. An example of this played out in Louisiana in July 2004.¹² Federal, state and local emergency planners and responders from across Louisiana participated in a planning exercise that had as its source of disruption a hurricane named Pam.

The scenario focused on impacts of a hurricane across 13 parishes in southeast Louisiana. Participants also included representatives from outside those local jurisdictions, including officials from Mississippi's Emergency Management Agency.

The future scenario involved the 'hurricane' delivering up to 20 inches of rain across parts of southeast Louisiana, sustained wind speeds of 120 mph and storm surges that produced floodwaters that topped levees and flooded New Orleans.

The exercise assumed that many people wouldn't evacuate the city; that significant building damage and destruction would occur; that communication systems would be almost completely lost; that phone and sewerage systems and potable water supplies would be damaged; and that chemical plants would be flooded.

In addition, flood damage would make large areas of southeast Louisiana uninhabitable for more than a year and require the use of more than 1,000 shelters for evacuees, many of whom would be left with significant injuries. There would also be widespread illness with high mortality rates.

Planners and other authorities questioned the validity of the content, suggesting that the severity was too extreme. Therefore, recommendations related to the gaps in capability and preparedness activities (as mitigation efforts) weren't followed or implemented.

A further significant issue was a belief that the probability of a hurricane of the size described in the scenario was only 0.03 in 1.00 (3%)—a very small likelihood.¹³ This low estimate may have been a strong factor in an official discounting of the possibility of a storm of the severity depicted in the scenario.

But one year later, New Orleans was decimated by a hurricane close to the severity used in the scenario, and with many of the projected impacts to the city's infrastructure and people as listed in the foresight-driven exercise.

As a result of the reality of Hurricane Katrina and partly because of the consequences of discounting the futures scenario, the US Federal Emergency Management Administration now plans for 'maximum of maximums' events (the term is from weather modelling). A key lesson was that disaster management arrangements worked well for 'average' disasters, but failed catastrophically for anything beyond that.¹⁴

Planning should include foresight practices that emphasise need to identify the severity and consequences of events rather than just their likelihood. This would enhance disaster and risk mitigation planning and should be considered as a standard capability in Australian disaster management agencies.

Enhancing the role of the ADF in disaster management

The 2016 DWP's 'Australia's Strategic Defence Framework' emphasises three 'strategic defence interests': a secure, resilient Australia, with secure northern approaches and proximate sea lines of communication; a secure nearer region, encompassing maritime Southeast Asia and the South Pacific; and a stable Indo-Pacific region; and a rules-based global order.¹⁵

Of particular interest, a secure, resilient Australia 'also means an Australia resilient to unexpected shocks, whether natural or man-made, and strong enough to recover quickly when the unexpected happens.'

To secure those interests, the White Paper details a variety of acquisition and sustainment programs to significantly boost the ADF's capability and capacity for supporting planning and mitigation efforts with state-based authorities.

In addition, the 2013 National Security Strategy identifies four key national security objectives: protect and strengthen Australia; ensure a safe and resilient population; secure Australia's assets, infrastructure and institutions; and promote a favourable international environment.¹⁶

Each of those objectives is likely to be negatively affected by the effects of climate change, so it's imperative to link climate change to national security and consider expanding the ADF's future roles.

The ADF is expected to be active as a first responder during climate-induced disaster relief missions. Between 2005 and 2013, it performed 275 such missions¹⁷, providing airlifts of equipment and personnel; engineering support; search and support; temporary accommodation; communication support; health and psychological support; and fuel services.

As the impacts of extreme weather events grow more severe, the ADF will be expected to coordinate more extensively with domestic emergency services and provide further humanitarian assistance in the aftermath of disasters. In addition to domestic responses, the ADF may face growing pressure in the future to engage in regional stabilisation operations and be involved in providing capacity and resilience building across the Asia-Pacific.

The security agencies and the military view climate change as a ‘threat multiplier’, as the effects on food, water and health security could exacerbate existing tensions, increase social instability, drive large-scale migration and trigger violent conflict. These threats will increase the pressure on the ADF to deliver a variety of assistance more often and on a much greater scale.

The ADF will also face direct impacts on its operations, such as difficulties in military training and operations (in extreme heat and intense rainfall); the possibility of disabled critical military and civilian infrastructure, particularly at critical moments; threats to energy security; and the effects of sea-level rise on people, military bases and infrastructure.

The ADF will have to change the way it thinks in order to move towards an all-hazards approach; this includes changing the way doctrine is created and expressed and the terminology that’s used.

The ADF will have to change the way it thinks in order to move towards an all-hazards approach; this includes changing the way doctrine is created and expressed and the terminology that’s used.

As discussed above, secondary and tertiary effects of climate change will affect the geostrategic nature of the Asia–Pacific. As environmental problems begin to manifest as security problems, they may disturb existing balances of power. In the Pacific island states, climate change is likely to compound existing vulnerabilities and feed into ethnic and political tensions. If that occurs, the ADF may be expected to respond.¹⁸

The ADF will have to look at the resilience of its own infrastructure (water, land, roads), given climate variability, and this will also constrain how it deals with response and recovery operations.

Where to next?

Australia is better equipped than most countries, particularly in the Asia–Pacific, to meet the challenges of climate change. We’re fortunate to have a high per capita income, low population densities, plentiful natural resources and advanced scientific and technological knowledge.

This doesn’t mean Australia can be complacent, and a number of strategies need to be considered if Australia and the ADF are going to deal with the natural and human-caused shocks that are inevitable.

Resilient communities are going to be essential as Australia and the region face an increase in climate threats. Characteristics of resilient communities include community understanding of weather-related events, risk-based land-use planning, appropriate mitigation methods and strategies, and community-based emergency and recovery planning.¹⁹

The National Strategy for Disaster Resilience provides insufficient information and guidance for the implementation of disaster resilience programs and policies.²⁰ It’s clear from the allocation of resources and funding (which is focused on response and recovery) that there need to be clearer outcomes that focus on improving adaptation capabilities (in terms of economic development, social capital, community competency, and information and communication) that focus on preparedness and planning.

The next government should develop a national resilience strategy. This would bring together all areas of disaster preparedness and response, combining civil and military interests working on an all-hazards, all-agencies basis to allow the timely anticipation of future disruptions and the deployment of both mitigation and response efforts.

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9 AUSTRALIAN OCEANS AND ANTARCTIC POLICY

Anthony Bergin

Key recommendations

- The next government should commit to Australia providing leadership in the Indo-Pacific in oceans affairs. Many countries in the region have extensive maritime interests, including significant ocean zones that need to be managed.
- To strengthen our regional oceans leadership, we should appoint an Ambassador for Ocean and Fisheries.
- To reflect a whole-of-government approach to oceans policy and maritime security, an Office of Oceans Affairs should be established in the Department of the Prime Minister and Cabinet.
- The Office of Ocean Affairs should generate an outlook for Australia's oceans, which would look at the status of and trends in natural, economic and social resources. It should convene a whole-of-government taskforce to develop an Australian maritime security strategy to provide strategic guidance to a wide range of agencies on delivering maritime security at home and at the regional and international levels.
- Australia should be an Antarctic leader, not a follower: as a claimant state, we should lift our polar efforts. We should see our strategic Antarctic interests as an integral part of nation-building and as the foundation of our continued engagement with the Antarctic Treaty System.
- Our Antarctic budget needs to reflect our aspirations in Antarctica. This should be seen as a whole-of-government responsibility, not just the responsibility of the Department of the Environment.

We're a three-ocean country with significant national interests in the Pacific, Indian and Southern oceans, as well as interests the Coral, Arafura and Timor seas.

Oceans define our geography. They're critical to our security because we depend on maritime commerce and the maintenance of freedom of movement for shipping. The 2016 DWP identifies three strategic defence interests, all of which relate to the maritime domain, and that's reflected in our future military capability investment program, in particular through investment in an expansion of naval and air capabilities.

It's clear that the oceans link us with our trading partners, provide resources and wealth and offer a defence against possible aggression.

Ocean policy interests

Australia has declared an exclusive economic zone (EEZ) of 8.15 million km² around the continental landmass and island territories—the world's third largest. The area of the zone increases to 10.19 million km² if the EEZ declared around the Australian Antarctic Territory (AAT) is included.

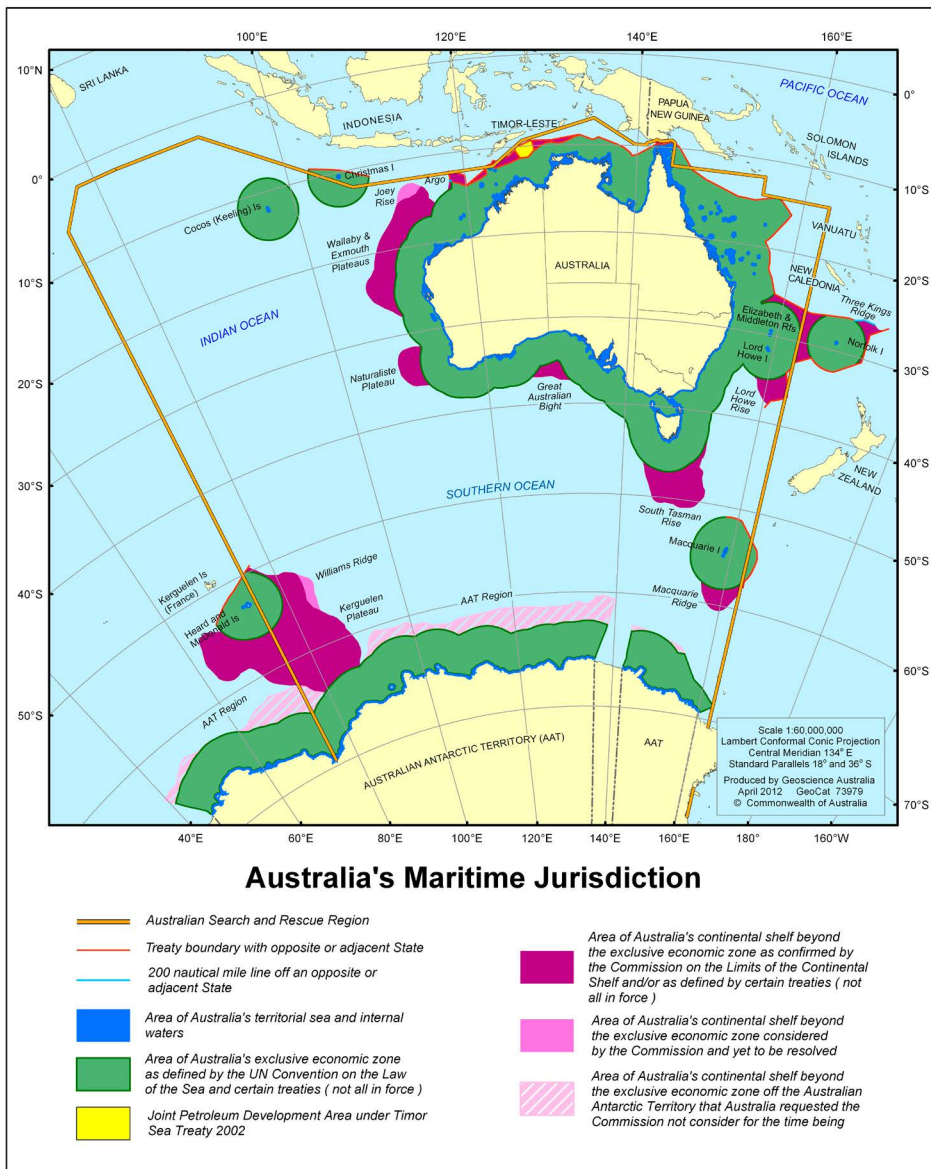
The legal continental shelf off the continent and territories has an area of 10.71 million km² or 12.75 million km², if the one around the AAT is included.

These figures mean that the maritime domain over which Australia has some jurisdiction is nearly twice the area of the continental landmass of Australia.

When our claim to the AAT landmass is included, Australia becomes the country with the largest jurisdictional claim to an area of the Earth's surface—around 27.45 million km², of which about half is over ocean or sea. We have jurisdictional responsibility for over 5% of the Earth's surface and nearly 4% of the planet's ocean areas. We have responsibility for a search and rescue area that's over 10% of the Earth's surface.¹

Our maritime strategic interests comprise offshore island territories, our Antarctic territory, the sea-air gap and navigational rights and freedoms (Figure 4).

Figure 4: Australia's oceanic interests



Source: Geosciences Australia

More than 75% of our exports and imports by value and over 99.9% by weight go by sea.²

Our maritime borders require enforcement in the face of unregulated people movement; illegal fishing and goods; threats to the safety of shipping; and the introduction of marine pests.

We're engaged in regional maritime security architecture through our involvement in bodies such as the Indian Ocean Naval Symposium, the Indian Ocean Rim Association, the Western Pacific Naval Symposium, the Extended East Asia Maritime Forum, the East Asian Summit and the Heads of Asian Coast Guard Agencies.

Ocean economy

Australia's ocean industry sector contributes significantly to our national economy. By 2025, our oceans are expected to contribute \$100 billion per year to our economy, up from the current \$47.2 billion annual contribution (excluding environmental services).

The National Marine Science Plan 2015–2025 includes existing industries such as tourism, ports, transport, shipbuilding, offshore oil and gas, aquaculture and wild fisheries.³

Opportunities for further economic gains lie in biotechnology; wind, wave and tidal energy; and innovation-based growth in established sectors.

Countries as diverse as China, the US and India are looking to expand the full range of their ocean industries.

Science and the environment

Australia's oceans host some of the world's most important marine habitats. We have a clear obligation to protect the environment in our marine jurisdiction and conserve its living resources. But we still lack much of the scientific knowledge needed to discharge this obligation effectively: we've yet to explore more than 75% of our marine estate.

The oceans surrounding Australia hold the key to our climate. Cycles of droughts and floods are controlled by ocean circulation patterns, and the currents' interaction with the atmosphere in the Indian, Pacific and Southern oceans is critical. Seasonal and long-term climate predictions will improve as we gain a greater understanding of ocean processes.

One of the great climate change uncertainties lies in how our warming oceans interact with the Antarctic ice sheet. Sea-level rise is a key risk to Australia and our region, and our ocean and climate science will be the key to understanding the likely nature, scale and timing of this threat.

The Southern Ocean drives circulation into the Pacific, Atlantic and Indian ocean basins, making it disproportionately important in driving these changes.

Institutional arrangements

Ocean leadership

A more integrated approach to oceans policy will give Australia substantial national strategic benefit from our ocean territory and surrounding oceans and seas.

The next government should commit to Australia providing leadership in the Indo-Pacific in oceans affairs. Countries can't be good at everything, but we should try to be a smart nation in ocean affairs.

At the same time, it'll be important to recognise that activities in our own offshore estate may have effects on the ocean health and security of our near region.

Oceans policy should be centre stage in our strategic relations in the Indo-Pacific: many countries in the region have extensive maritime interests, including significant ocean zones that need to be managed.

If we don't do this, other states (such as China, which very 'bullish' about expanding its ocean economy and broader maritime interests) will certainly do so, and we'll need to respond to that challenge.

Ambassador for Oceans and Fisheries

To strengthen our Indo-Pacific oceans and fisheries diplomacy and leadership, we should appoint an Ambassador for Oceans and Fisheries (a position that exists, for example, in the Republic of Korea) to make the most of political and economic opportunities from oceans policy and fisheries for the region. Fisheries attachés should be appointed in key posts to support the Ambassador's work. We should reinvigorate our position as a respected influence in regional fisheries affairs.

The next government should establish an interdepartmental committee of officials with responsibilities for regional fisheries engagement matters, including an annual review of emerging issues.

An Office of Ocean Affairs

We need a coordinated whole-of-government approach to the blue economy. Public policy for the oceans is still largely determined on a sectoral basis.

Greater benefits for commercial operators, recreational users and traditional owners can be derived from coordinated win-win arrangements for marine resource development and public enjoyment.

Those arrangements should address the links with maritime security, developments in marine science and technology, the use of data and information, links with industry and the interrelationship between national and international policies.

To reflect a truly whole-of-government approach, an Office of Oceans Affairs should be established in the Department of the Prime Minister and Cabinet. This would properly reflect the importance of the oceans to Australia, including to our security, and the need for powerful interagency coordination. This central policy coordination of oceans affairs occurs in France, Japan and South Korea.

It would offer higher level oceans policy coordination than exists through the security-focused Joint Agencies Maritime Advisory Group, chaired by Commander, Maritime Border Command, which oversees the development of capabilities and coordination issues in maritime surveillance and enforcement.

It could offer national policy coordination, rather than just at the Australian Government level. Federal and state coordination occurs in some areas, but generally it's sectorally focused, and (after the shrinkage of COAG's agenda) happens to a lesser extent than in times past.

An Office of Ocean Affairs could generate an 'Outlook for Australia's oceans', which would look at the status of and trends in natural, economic and social resources. It could be a risk assessment with a forward-looking horizon and encourage policy and public debate about our nation's aspirations for the seas that surround us and on which we depend.

The office should also convene a whole-of-government task force to develop an Australian maritime security strategy to provide strategic guidance to a wide range of agencies on delivering maritime security at home and at the regional and international levels.

Blue growth

In 2014, a Perth meeting of senior ministers and officials from Indian Ocean rim countries, Foreign Minister Julie Bishop introduced the idea of the blue economy.

The concept is about marine economic activity as a driver of sustainable growth. The oceans will become an economic force this century, driven by new technologies that make it economically viable to tap new marine resources and demographic trends fuelling the search for food security and alternative sources of minerals and energy.

Australia has significant assets to assist national ocean development and provide focused assistance to the developing states of the Indo-Pacific to maximise the sustainable benefits of the blue economy.

Fisheries diplomacy

Fisheries diplomacy should be at the centre of our promotion of blue growth in the Indo-Pacific. For many Pacific island states and Indian Ocean coastal states, it's all about fish.

If our fisheries engagement is done well, it'll facilitate stronger relations to support our regional economic and security objectives.

If regional fisheries were to become seriously depleted, we'd be under considerable pressure to provide greater economic support for many of our island neighbours, with long-term implications for political stability.

Pacific fisheries

The total value of the tuna catch in the Western and Central Pacific was US\$5.8 billion in 2014. For the small island states, the sector is a potential economic game-changer.

Fisheries experts agree that there'll need to be quota cuts to maintain the key species in this fishery at a level that's both biologically sustainable and able to produce maximum economic returns in the long term. Pacific fisheries are in many ways at a tipping point, and the next few years will be critical.

We're well placed to help in capacity building, fisheries science, maritime surveillance and enforcement and in facilitating regional discussions about sustainable returns from fisheries.

Indian Ocean

Indian Ocean fishing is the 'wild west' when it comes to illegal, unregulated and unreported fishing. We can play a greater role in strengthening the key regional fishing body, the Indian Ocean Tuna Commission. Our membership of the Indian Ocean Rim Association also provides a useful way to advance our fisheries and broader political interests in the Indian Ocean.

We should engage with India and Indonesia to build on shared interests in eastern Indian Ocean fisheries.

Engaging China

China has the world's biggest distant-water fleet. It has rapidly expanded its Pacific tropical longline fleet to be the largest. But the Chinese fleet doesn't provide accurate logbook and observer data.

China is developing a market for southern bluefin tuna, one of our most valuable fisheries. It has expanded its fishing considerably in two key southern bluefin areas, in the Indian Ocean and north of New Zealand. But it isn't a member of the Commission for the Conservation of Southern Bluefin Tuna, which manages this fishery.

We should include fisheries issues on the agenda of the annual Australia–China High-Level Dialogue.

Southern Ocean

Our fishing industry operates in the Southern Ocean, catching valuable Patagonian toothfish and mackerel icefish. We need to increase our efforts to inform decisions about the acceptable levels of krill harvest.

Our tropical neighbours

To the north of Australia lies the Coral Triangle—the global epicentre of marine biodiversity. This region is critically important not only for its high environmental values, but also for the role it plays in trade within the greatest density of human populations on the planet.

Australia has a leadership position already for our management of the Great Barrier Reef. It's widely recognised that the multiple-use marine managed area model for management developed over 40 years in the Great Barrier Reef can apply to sensitive marine World Heritage sites. It's a working model for developing integrated oceans policy.

Aquaculture's potential

We shouldn't ignore our ability to promote aquaculture in the region; we've got the intellectual capital to promote this key aspect of the blue economy.

Aquaculture has the potential to transform the global food system for the better. It's the fastest growing food production system, at 7.5% a year growth over the past 20 years.

By 2030, aquaculture will supply 65% of fish protein; by 2050, 30 million tonnes a year of extra aquatic production will be needed to feed the planet.

If aquaculture practices can be refined through technology, that'll go a long way towards lessening the impact of illegal, unregulated and unreported fishing, and so help to sustain ocean resources.

While Australia's aquaculture production makes up less than 1% of global aquaculture, we've got expertise in smart aquaculture in tropical and temperate areas, especially in developing high-volume feed that doesn't rely on wild-caught fish inputs, and know how to ensure that farmed fish don't transfer diseases to wild fish.

There are environmental concerns about open-water aquaculture, and that could be a special area for Australian expertise. The future will see innovative cage culture facilities that are submersible and self-maintaining—robotic ocean farms that can ride out severe weather and continuously monitor any cumulative effects on the ocean environment.

A report in February 2016 by the Australian Parliament's Joint Select Committee on Northern Australia concluded that our north has natural advantages for aquaculture production: a long coastline, pristine waters, the availability of suitable land, proximity to Asia, and a tropical climate that encourages high aquaculture growth rates. Polyculture farms can ensure no loss of harmful nutrients to the broader marine environment and provide economic opportunity for remote Indigenous communities.⁴

Australia should promote a regional approach to skills and technology transfer to develop aquaculture systems that expand the range of foods and the nutritional content of those foods, while ensuring that the industry is economically and environmentally sustainable.

See the value

The oceans and seas around Australia are central to our future prosperity and security. All countries share in both the benefits of safer and secure oceans and the responsibility for addressing major threats and challenges to maritime security.

Regional cooperation is fundamental to the maintenance of maritime security and safety, and Australia should be a leader in this regard in our adjacent oceans and seas.

We could achieve much by exploiting the economic and strategic potential of the oceans, and at relatively little cost and with enormous political benefit. We should view the seas as a bridge that links Australia with the world.

Antarctic policy

Looking south

Australia asserts sovereignty over 42% of the Antarctic continent; that’s roughly the size of mainland Australia minus Queensland.

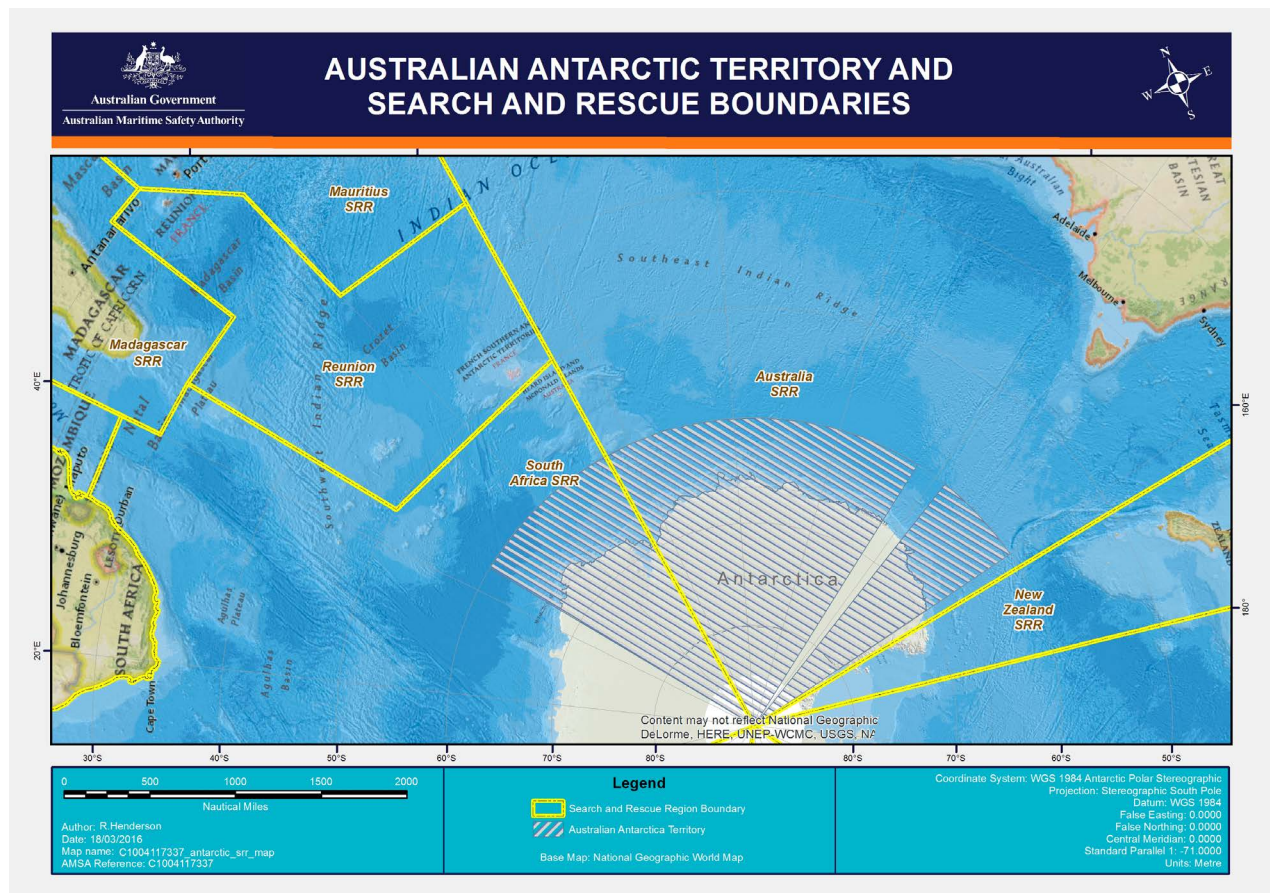
The Antarctic Treaty demilitarises all of the planet below 60° South, so we don’t need an Antarctic war-fighting capability.

We’ve got substantial diplomatic, scientific, economic and environmental interests in Antarctica and the Southern Ocean.

One area likely to grow in the future is search and rescue (SAR) responsibilities. As Australia and other Antarctic nations enhance their polar programs, with more personnel and greater coverage of land and marine activities, the risk of SAR incidents will increase in this often harsh environment.

Looking south, Australia’s SAR region is vast (Figure 5). It extends east and west of Australia’s landmass and penetrates through the Australian Antarctic Territory to the South Pole. In the Antarctic region, our SAR area adjoins those of New Zealand and South Africa.⁵

Figure 5: Australian Antarctic Territory and SAR region boundaries



Source: Australian Maritime Safety Authority

As the relevant SAR coordinator for much of east Antarctica, we should build an expected increase in SAR incidents into our strategic planning.

SAR planning offers an opportunity for us to work with China, India, Korea, Japan, France, South Africa and New Zealand to foster good relations and sound SAR practices.

We should be conducting Southern Ocean and Antarctic SAR exercises to strengthen cooperation among Australia and other Antarctic states.

Our work in the Southern Ocean is sensibly focused in the East Antarctic region. That's congruent with our core interest of sovereignty over the Australian Antarctic Territory, but we should work with other like-minded states to demonstrate our commitment to the *whole area* of the Commission for the Conservation of Antarctic Marine Living Resources: we'd want to avoid any perception that we're focused only on those waters surrounding our sub-Antarctic territories and the Australian Antarctic Territory.

A 20-year plan

The essential elements of a sound polar strategy were mapped out in the Australian Antarctic Strategy and 20 Year Action Plan launched by the federal government in April this year.

It articulates our strategic Antarctic interests and sees them as an integral part of nation-building and as the foundation of our continued engagement with the Antarctic Treaty System.

The release of the strategy was timely: the pre-eminence we've traditionally held because of our historical connections and scientific and diplomatic leadership can no longer be assumed.

Other nations are raising their investment substantially in Antarctic science, logistics and infrastructure and diplomacy.

The decision to proceed with a tender for the construction of a new icebreaker to replace the ageing *Aurora Australis* is a significant investment in our Antarctic future. But we need a more whole-of-government approach so that we get the most from our investment: even though the icebreaker's a specialised vessel, the replacement ship (due to arrive in Australia in mid-2020) should be considered for other uses when not engaged in our Antarctic program.

The Antarctic Treaty System requires substantial international engagement in diplomacy, logistics and science. We should work hard to ensure that the security that the treaty provides us is maintained for the future.

Science

Science is the currency of Antarctic influence: we'll need to strengthen national and international collaboration in major Antarctic science programs.

Our polar science has revealed much about the weather and seasonal climate in Australia's key agricultural regions, so a properly resourced Antarctic program will have direct economic benefits for us.

Australia's position as a leader in Antarctic science will play a significant role in the influence that we'll be able to exert in Antarctic affairs in the future.

We risk being left behind by China. It's setting up its first air squadron in Antarctica this year. Last year, it announced that it was preparing to build a fifth research station on the continent. It's building a second icebreaker and has made it clear to domestic audiences that possible resource development is its main interest in the region. It's expanding its fishing for krill in the Southern Ocean, the largest unexploited fishery in the world.

Earlier this year, China's State Oceanic Administration stated that it will carry out a pilot deep-sea mining project, as well as exploration and deep-sea biological diversity research.

If we're not a big player in Antarctic science, our polar agenda will be driven by others.

The role of Defence

The 2016 DWP states that Defence will provide niche support for our polar operations, including Air Force heavy airlift to support our Antarctic stations.

There are no ifs, buts or maybes here: Defence *will* provide that support. That's a real game-changer for our Antarctic logistics and science program.

Since November 2015, a C-17A Globemaster III has touched down at Wilkins Aerodrome five times, moving over 109 tonnes of machinery and cargo in and out of Antarctica.

Our Southern Ocean interests require us to undertake surveillance of ocean areas and to have the ability to respond to any incident that might arise. Response requires a surface vessel, and that's where we're seriously lacking at present: neither Customs' Cape-class nor the RAN's likely Armidale-class replacement vessels is suited for operations in the Southern Ocean.

The next government should consider investing in an ice-strengthened seagoing platform to acquire patrol vessels capable of more extended operations than our Armidale-class patrol boats.

The ADF should be involved in our Antarctic programs on the ice, as was the case several years ago when a military officer headed up Casey Station.

The ADF should be involved in our Antarctic programs on the ice, as was the case several years ago when a military officer headed up Casey Station.

There's no reason why RAN personnel couldn't be seconded to play an operational role on resupply and scientific voyages of the new icebreaker.

Apart from the C17 aircraft operation into Antarctic airstrips (Hobart's runway extension over the next two years will allow extra payloads), other defence capabilities for polar and Southern Ocean work would include:

- the RAN's hydrographic assets (eastern Antarctica's waters aren't well charted)
- HMAS *Choules* (albeit with a limited ability to operate in light ice conditions)
- *Ocean Protector* (owned by Defence, but assigned to Maritime Border Command)
- an AP-3C Orion for search support
- future unmanned aerial vehicles, such as the MQ-4C Triton
- P-8A Poseidon maritime surveillance and response aircraft (to be introduced in the early 2020s)
- Army personnel for surveying operations.

Such military support wouldn't violate the 'peaceful purposes' provision in the Antarctic Treaty and would allow us to project our southern national interests through the ADF.

Budget

Finally, our Antarctic budget needs to reflect our aspirations in Antarctica: we won't have an Antarctic strategy unless we commit the resources. This should be seen as a whole-of-government responsibility, not just the responsibility of the Department of the Environment.

In April, the government committed about \$200 million in additional resources over 10 years to our polar work, including \$55 million to re-establish our over-ice traverse capability. That will be important for international polar cooperation. It's not rivers of gold, but it will be a good result if that funding level is sustained.

Australia should be an Antarctic leader, not a follower. We were a pivotal player in negotiating the Antarctic Treaty, and along with France led the development of the Madrid Protocol on banning Antarctic mining.

As a claimant state, we should lift our polar efforts. Greater investment in Antarctica will return huge dividends to Australia, not just in diplomatic influence, but in scientific knowledge that's key for this country's future.

Notes

- 1 Sam Bateman, Anthony Bergin, *Sea change: advancing Australia's ocean interests*, ASPI Strategy, March 2009, p. 11, [online](#).
- 2 Department of Defence, *Australian Maritime Doctrine—RAN Doctrine 1*, 2010, p. 24
- 3 National Marine Science Committee, *National Marine Science Plan 2015–2025: Driving the development of Australia's blue economy*, [online](#).
- 4 Joint Select Committee on Northern Australia, *Scaling up: inquiry into opportunities for expanding aquaculture in Northern Australia*, February 2016, [online](#).
- 5 Anthony Bergin, Daniel Grant, 'Search and rescue: a growing responsibility', *The Strategist*, ASPI, 24 June 2014, [online](#).

10 FOREIGN POLICY

Rod Lyon, Lisa Sharland, David Lang, Amelia Long, Lachlan Wilson

Key points and recommendations

- Increasingly, Australia will need to find its way in a multipolar global and regional order in which leadership will be more contested, more negotiated or missing.
- The US presidential primaries suggest that the US foreign policy mainstream may be fracturing, which—alongside the country’s slow economic recovery—seems likely to cast further shadows over the perceived durability of the *Pax Americana*.
- China, Japan and India are stepping into larger roles in the Indo-Pacific. A transformational Asia continues to offer both challenges and opportunities to Australia, not least in Southeast Asia, the locus of a new strategic competition.
- Closer to home, Australia needs to be more tolerant of regional architectural diversity among Pacific island states—and more willing to be an economic engine for the islands.
- We have to work harder to sustain our engagement with the UN and restore our contributions to peacekeeping—not least because we might have to lead such forces in our own neighbourhood.
- With fundamental change either already in train or in prospect in virtually all major areas of foreign policy, the incoming government should commission a new Foreign Policy White Paper to underline its priorities and optimise the fit between tasks and resources.

Australia confronts a stream of global and regional ordering challenges, almost none within its ability to solve single-handedly. At the top level, we face a looming problem in global leadership: the US is weary and showing signs of turning inwards, Europe is divided and overwhelmed by refugee flows, China is nationalistic and opportunistic, and Russia is keen to reshape the post-Cold War European security order more to its liking. Major issues—such as stability in the Middle East, heightened prospects for nuclear proliferation, and climate change—confound simple solutions.

At the regional level, where the priority must be to find new inputs from the major Asian players for an ongoing liberal order, the evidence for new levels of buy-in is mixed. Japan under Abe has embraced a more active regional role, but the longevity of its new engagement is uncertain. So too has India, but developmental priorities will keep New Delhi focused on priorities close to home, and geography means that India finds it hard to make its weight felt in East Asia. Conversely, geography is Indonesia’s greatest asset: it sits at the maritime nexus of the Indo-Pacific. But Jokowi, weakened by the current constellation of political power in Jakarta, is hesitant to be seen in a strategic leadership role. Locally, Australia confronts a set of worries about the South Pacific—a region where its friends and allies expect it to lead.

United States

There's been unevenness in US foreign policy since 9/11. It's been a pendulum that's swung from over-commitment under George Bush to under-commitment under Barack Obama. What should we expect from Obama's successor? The primaries for the US presidential election give a disturbing set of signals. In particular, they suggest a worrying long-term fracturing of the mainstream in US foreign and defence policy. Of the four major candidates left in the race before the Indiana primary—Hillary Clinton, Bernie Sanders, Donald Trump and Ted Cruz—only one, Clinton, seemed to represent a continuation of the mainstream agenda that has defined the US role in the world since 1945. And the 'America First' current is now flowing so strongly in US politics that even Clinton might find it hard to lead a new US global re-engagement if she's elected.

In relation to the US presence in Asia—a key factor for Australian grand strategy—the big question must surely be 'Does the rebalance survive and, if so, in what form?' The question's most easily answered in relation to a Clinton presidency, since she was one of the drivers of the policy as Secretary of State. She might even quicken and deepen the rebalance, if she can offset those domestic forces in the US favouring a more limited international role. Still, even she might struggle to reinvigorate the Trans-Pacific Partnership.

A Trump presidency would be more problematic. Over time, Trump might move towards the post-World War II mean in US foreign policy settings. But in his campaign he's emphasised a more radical foreign policy, of non-intervention abroad and weakening US support for core US allies. A lower US strategic profile in the world, not only in Asia but also in Europe and the Middle East, would be taken by some as the waning of the *Pax Americana*—the order that's characterised global international relations since 1945. In Asia, signals of American disengagement would weaken the hub-and-spokes model of regional security. And they would quicken a trend towards increased multipolarity already underway and visible in the growing regional profiles—and arsenals—of a range of major players.

Until we see more compelling evidence of Asian great-power support for a liberal regional order, Australia's interests lie in doing what we can to support and encourage the US rebalance. A major challenge for Australian foreign policy will be to find strategies to reinforce US engagement in Asia at a time when a substantial number of Americans are disgruntled and resentful over previous foreign policy settings. And there's a caveat: even a US that follows through on the rebalance won't be able to regain the position of regional dominance it enjoyed in the 1990s.

China

Over recent decades, China's economic growth has been nothing short of spectacular. Australia has been a major beneficiary of that growth, as have a range of other countries. So it isn't a fiction to say that Australia wants to see China succeed in its development, in the transformation of its economy from an export-led one to a consumer-led one, and in its emergence as a great power in 21st-century Asia. But those hopes for China's success don't blind Australia to other aspects of China's re-emergence that are more concerning. In particular, Canberra wants to see China become a stabilising rather than a destabilising factor in the Asian security order.

Unfortunately, there the picture's more mixed. Regardless of the outcome of the US elections, China's likely to keep pushing the idea of a more Sinocentric Asia. Its maritime assertiveness in the East and South China Sea suggests it's not buying into a liberal regional order of laws and rules, and Xi Jinping has spoken openly of a future regional order best characterised as 'Asia for the Asians'. A major challenge for Australian foreign policy will be to find mechanisms that can support the diverse range of activities constituting what's often blithely called 'engagement'.

That term's shorthand for an unusual blend of expectation, encouragement, partnership and criticism. For example, we expect that China will become a stronger and more influential player in the region, and that a more capable PLA will have an expanding regional—and global—footprint. We expect, too, that as China's economy grows the PLA will become even more interested in national security and territorial integrity, including in strategies (such as 'Great Wall at Sea') aimed at better protecting its highly developed coastline.

At the same time, we're interested in encouraging China down a path whereby it makes a more positive security contribution to a liberal regional order. That positive contribution could take several forms: the evolution of the Chinese economy to make it a stronger engine for regional growth; greater transparency in Chinese force development; more willingness to help restrain North Korea's nuclear program; or acceptance of the US role in the region as a liberal, inclusive order-builder.

In areas where Australian and Chinese interests coincide, we should try to do more than merely encourage. We're keen to be an active partner for China in the delivery of public goods. China's the largest troop and police contributor to UN peacekeeping forces among the permanent members of the UN Security Council, a contributor to the counter-piracy mission currently underway in the Gulf of Aden, and a contributor to the broader HADR mission. Furthermore, it's worked with Australia in the search for the missing Malaysia Airlines flight MH370. Australia, like the US and other countries, is trying to expand those areas of practical defence cooperation.

Finally, Australian engagement also includes a strand critical of China in areas where we disagree with its behaviour. That's certainly the case in relation to China's policy of low-intensity coercion in the South China Sea, in which it's using its paramilitary strength and presence to marginalise other claimants. In previous years, we've been critical of Chinese missile testing that bracketed Taiwan, Beijing's testing of an anti-satellite weapon that resulted in a substantial debris field in space, and China's abrupt declaration of an air defence identification zone over contested territories in the East China Sea.

The important question isn't *whether* China plays a larger role in the region, but *what sort* of larger role it plays. We need the policy nuance to pursue our full range of 'engagement' objectives.

Overall, our engagement strategy isn't the 'China choice' that some have suggested. It contains elements supportive of a larger role for China as well as elements critical of Chinese policies. The important question isn't *whether* China plays a larger role in the region, but *what sort* of larger role it plays. We need the policy nuance to pursue our full range of 'engagement' objectives.

Japan

DFAT describes Australia's relationship with Japan as 'our closest and most mature in Asia'. That remains true even after Australia's recent decision not to award our future submarine contract to the Japanese bidder. The economic and strategic fundamentals of the bilateral relationship have continued to deepen over the past decade, most recently with the finalisation of the Japan–Australia Economic Partnership Agreement and the proclamation of a special strategic partnership. Shifting regional power balances have highlighted an alignment of values, interests and concerns between the two countries, a foundation upon which the strategic relationship has continued to grow. The key benefits and risks of our burgeoning bilateral defence engagement warrant close consideration.

A deeper defence relationship with Japan presents an opportunity for Australia to pursue our interests while demonstrating our willingness to shoulder some of the regional security burden with a like-minded liberal democracy. It's in Australia's interests to sustain a secure, stable, prosperous and rules-based regional order in which our American ally continues to be deeply involved. So, too, for Japan. With the future of President Obama's Asian rebalance uncertain, it's important that capable US allies such as Japan and Australia deepen 'inter-spoke' collaboration to show our commitment to the role played by the US in our region.

Moreover, a deeper and broader bilateral defence relationship provides Australia with an effective vehicle through which to offer material and reputational support for a more 'normal' Japan. Since coming to power in 2012,

Prime Minister Shinzo Abe has moved to modernise and normalise Japan's international posture through various foreign and defence policy initiatives and reforms. It's in Australia's interests to support a responsible, active and forward-leaning Japan that seeks to make a greater contribution to regional security, stability and prosperity.

Some commentators worry that a deeper defence relationship with Japan could entangle Australia in North Asian security contingencies, such as those in the East China Sea. Decisions to deploy the ADF rest entirely with the Australian Government of the day, which determines the scope, intensity and nature of our contribution in relation to the perceived threat to Australian interests. The 2016 DWP recognises Australia's 'deep and abiding interest in peace, stability and security in North Asia'. Thus an Australian military entanglement in North Asia turns not on Canberra's close defence relationship with Tokyo, but rather on Australia's pursuit of a declared interest—regardless of whether the contingencies cover the East China Sea, the Korean Peninsula or somewhere else in North Asia.

There's some risk that Australia's close defence relationship with Japan may alienate and antagonise China, but even if that happens the consequences are unlikely to be profound. A complex web of shared interests undergirds the Australia–China relationship. Those interests help to insulate Australia against any deleterious consequences that might flow from our pursuit of deeper defence relations with Japan. Furthermore, the traditional decoupling of bilateral economic and strategic interests means that our crucial economic relationship with China is unlikely to be strongly buffeted by warmer security relations with Japan. Asia's nascent multipolarity requires Australia to deepen defence engagement not only with Japan but also with other countries with which we recognise a broad alignment of interests, values and concerns.

Maritime Southeast Asia

As the rise of the Asian great powers shifts the balance of power in the Indo–Pacific region, maritime Southeast Asia is becoming a locus of strategic contest—and tensions in the region seem more likely to increase than decrease. Territorial disputes arising from conflicting sovereignty claims in the South China Sea between China and a number of ASEAN nations are a primary concern in the subregion—Malaysia, Vietnam, Brunei and the Philippines are claimants, and China's 'nine-dash line' intrudes upon Indonesia's exclusive economic zone. The effects of those disputes are amplified by the competition between the US and China for influence in the region and the growing determination of Japan and India to look to their own interests in Southeast Asia.

Tensions in maritime Southeast Asia have the potential to destabilise Australia's northern approaches and sea lines of communication and to threaten the broader peace in the Indo–Pacific, upon which we rely for our security and much of our trade. As China challenges the status quo in the region, ASEAN nations will look to their friends and partners both within and beyond the region for support. The 2016 DWP, without specifically drawing attention to China as a military threat to Australia, aptly signifies the importance of the contest to Australia's future security. As the relative tranquillity that ASEAN states have enjoyed for the past few decades fades, Australia will need to consider how best to secure its own interests in the region.

That engagement should involve both the political and military arms of policy. We should encourage Southeast Asian nations to seek—where possible—a unified front in the face of external threats to the rules-based order in the region. Australia's previous experience of co-sponsoring the East Asia Summit Statement on Enhancing Regional Maritime Cooperation is an encouraging precedent for reaching multilateral solutions to maritime concerns. Through forums such as the Heads of Asian Coast Guard Agencies Meeting and the ASEAN Defence Ministers' Meeting-Plus, Australia could employ soft-power diplomatic tools and use its membership to encourage transparent solutions to resolve regional maritime tensions—for instance, an illegal fishing reporting system based on information-sharing between states. Those forums would also provide an outlet for us to share our expertise on maritime confidence-building measures such as fisheries management, scientific research and environmental protection, with the goal of reducing distrust between claimants.

Beyond soft-power tools, Australia and our Southeast Asian neighbours have a strong history of collaboration in joint military exercises. ADF participation in exercises such as Cobra Gold, Bersama Lima, Balikpapan and Komodo

reduces the likelihood of intra-regional conflict by building durable individual and institutional relations between Australia and various Southeast Asian states. Joint military exercises also act as a deterrent to potential challengers to the rules-based order by displaying collective resolve. In addition, they increase the ADF's familiarity with and understanding of the emerging 'grey zone' of quasi-conflict (for example, maritime law enforcement activities such as countering unreported, unregulated and illegal fishing, counter-piracy operations and environmental protection), as well as in more traditional HADR operations.

Australia should maintain its 'softly, softly' approach to navigation through the South China Sea, emphasising that the right of innocent passage makes a strong contribution to our own security and economic wellbeing. We've long benefited from the principles of freedom of navigation and overflight in relation to our own defence activities in the region, including those covered by the Five Power Defence Arrangements. In short, we should keep doing what we've been doing, although perhaps without advertising those activities to the extent that our larger ally does.

Indonesia

The relationship between Australia and Indonesia has long been characterised as a roller-coaster, where each new improvement in relations is succeeded by a period of disillusionment and division. Tensions in the relationship over the past few years have been brought about by diplomatic challenges such as the executions of Andrew Chan and Myuran Sukumaran, the tapping of former Indonesian President Susilo Bambang Yudhoyono's mobile phone by the Australian Signals Directorate and the election of President Joko Widodo, who doesn't see the relationship with Australia in the same light as his predecessor. Those events have been accompanied by a lack of extensive ties at the people-to-people level, sensationalist reporting of diplomatic crises and a poor personal chemistry between President Widodo and former Prime Minister Tony Abbott.

The relationship has been back on a positive trajectory since Prime Minister Malcolm Turnbull came to office in September 2015, spurring a series of productive high-level dialogues between government officials. It's important that Australia works to build the relationship while also tempering the expectation that we'll do more than our fair share of the heavy lifting. While the notion that we need Indonesia more than Indonesia needs us is supported by some commentators, we need to keep our relationship with Indonesia in perspective. Together, Australia and Indonesia could be an influential force in the region, but that won't happen if only one horse is pulling the wagon.

...there's a need for officials from both countries to develop a greater understanding of each other in order to build confidence and increase transparency.

We should be trying to strengthen bilateral bonds both inside government and beyond. A fragility in high-level relationships has often undermined efforts to build a closer rapport between Australia and Indonesia. Therefore, there's a need for officials from both countries to develop a greater understanding of each other in order to build confidence and increase transparency. Efforts should be made to extend bilateral leadership dialogues beyond just the Indonesia–Australia Annual Leaders' Meeting, such as by holding multi-tiered dialogues to discuss bilateral, regional and global issues of common concern. Those talks would extend beyond the 2+2 events already in place to include strategic dialogues and defence policy talks at the deputy secretary / deputy minister level and first assistant secretary / director-general or deputy director-general level. Increasing the numbers of ADF and TNI personnel involved in military exercises such as Exercise Komodo could improve interpersonal ties and transparency while helping to boost the interoperability of the two forces as the Asia–Pacific becomes an increasingly contested region.

But improved people-to-people, military-to-military and business-to-business relations are essential components of an enhanced relationship. As former President Yudhoyono emphasised during his April 2016 visit to Canberra, ‘politicians come and go’, but investment at a lower level will be what drives a positive bilateral relationship in the future and helps to dampen the flames in times of crisis.

People-to-people initiatives such as the Conference of Australian and Indonesian Youth and the Indonesian Foreign Ministry’s visit program for journalists offer increased exposure to the cultures of both countries and help build greater social cohesion. Business-to-business relations between Australia and Indonesia have been severely underutilised, and Indonesia ranks only 12th among our trading partners. Both countries are seeking to address this issue by recommencing negotiations later this year on the Indonesia–Australia Comprehensive Economic Partnership Agreement, which aims to forge closer economic engagement between both countries’ public and private sectors. That agreement would result in mutual financial benefits for both countries through a number of avenues, including a potential free trade agreement, and would allow Australia to invest in critical Indonesian infrastructure that would contribute to regional security.

Strengthening existing partnerships to withstand political fluctuations is in both countries’ interests. One example is in the security realm. Australia and Indonesia’s cooperation on counterterrorism efforts, which officially became a coordinated task in December 2015, is an area where the relationship excels. As Islamic extremism in Southeast Asia (seen, for instance, in the 14 January 2016 Jakarta bombings) becomes more prevalent, both Indonesia and Australia stand to benefit from close coordination and intelligence sharing. To achieve that, the AFP and its Indonesian counterpart, POLRI, should continue to host discussions at institutions such as the Jakarta Centre for Law Enforcement Cooperation to improve interpersonal ties between the two countries’ law enforcement officials, as well as their ‘soft’ skills—for example, through language training for AFP officers. Similarly, the AFP’s Jakarta Regional Cooperation Team could increase its assessment and assistance in some of POLRI’s weaker areas, including forensics and intelligence collection, and both the AFP and POLRI could look at the benefits of encouraging longer term secondments of junior officers abroad.

The Pacific islands

In a world of rising great-power tensions and shifting Asian power balances, our nearer neighbours sometimes struggle to attract Canberra’s attention. Yet we have important political, economic and humanitarian interests as well as a strong security stake in the South Pacific. Moreover, we may have less discretion about whether to respond to a crisis close to home than we do for grander problems further from our shores, in part because of our partners’ expectations that we’ll lead in our region. Australia still has good access, credentials and relationships with most Pacific island governments. But their perceptions that we can be heavy handed, that growing international interest gives them more options, and that our bitter quarrel with Fiji cost us regional influence mean that we can no longer assume that we’re automatically their preferred partner.

Starting at the broadest level, Australia needs to consider its approach to the ‘patchwork’ regional architecture that now holds sway. The current arrangement is arguably inefficient and includes organisations, such as Fijian Prime Minister Frank Bainimarama’s Pacific Islands Development Forum, designed to exclude us. So there’s a case for rationalisation. But past efforts to create a single regional organisation or conduct architecture-focused summitry suggest that there may be greater value in continuing to pursue harmonisation and complementarity via mechanisms that go more with the grain of Pacific sovereignty sensitivities, such as the Council of Regional Organisations in the Pacific and the New Framework for Pacific Regionalism. Indeed, we might think harder about how to work productively with organisations such as the Pacific Islands Development Forum and Melanesian Spearhead within that patchwork architecture.

A related task will be to advance an agenda of economic integration—a task just as difficult but arguably more important than streamlining regional frameworks. Efforts to modernise trade structures in one of the world’s slowest growing regions run up against a host of hurdles, including countries’ sovereignty sensitivities, the small

scale of their economies and long distance from global markets, and the intensity and immediacy of the budget pain they would feel from lowering tariffs and opening up to outside competition compared to the slower, more esoteric, benefits of liberalisation. Redoubling efforts to give island governments what they unequivocally want—labour integration with the Anzac economies—might spur their interest in the other forms of integration they'd eventually benefit from, at a pace they're comfortable with. But the Australian Government would have to accept the political cost of such efforts—bringing more unskilled and semi-skilled workers into Australia when we don't enjoy full employment would be contentious.

Even if we do succeed in building a closer economic relationship with the Pacific island countries, a more complex South Pacific awaits us. Issues of demography and underemployment will remain. So, too, will issues of resource exploitation and transnational crime. Poor governance will harm some states' abilities to negotiate the problems of a more interconnected world. Climate change threatens devastation for some through greater frequency and intensity of extreme weather, rising sea levels and the salinisation of agricultural land and aquifers. Separatist and nationalist movements could alter the political make-up of the region, including through upcoming independence referendums in Bougainville and New Caledonia.

Finally, we need to accept that—issues of sovereignty aside—some of the island countries will loom larger in our thinking than others. Papua New Guinea's a special case, not just because of our colonial history but because of its size. It's already so big that Australia would be struggling to pick up the pieces if things go badly wrong, and it's only going to grow. Over the past decade, we've put much store in the hope that resource projects would lead the country towards an economic nirvana. In the long run, liquefied natural gas exports should prove a boon, but over the past year or two a combination of falling commodity prices, reckless spending and unprecedented budget allocations to MPs' constituency development funds has revived warnings about potential instability.

All of those challenges ensure that our near neighbourhood will remain an important concern for the incoming government. It might even be an appropriate moment to articulate Australia's broad strategy towards the region. We should have a clear understanding of what we're trying to achieve, even if policy in the Pacific island countries remains largely the handiwork of islanders and not of us. We'll be better placed to assist if we know what we want to achieve.

Australia, the United Nations and global security challenges

Australia has consistently relied on multilateral institutions to support its international interests abroad. This was admirably demonstrated during our recent term serving as an elected member of the UN Security Council in 2013 and 2014. Amid the power plays of the five permanent members, Australia diligently progressed initiatives on issues such as humanitarian access in Syria and the search for Malaysia Airlines flight MH17. We used the seat wisely to complement our foreign policy engagement. The challenge in future will be to leverage that experience and identify areas where we can sustain our engagement with the UN.

Australia's inaugural candidacy for a seat on the UN Human Rights Council (2018–2020) is a good example of maintaining that engagement. Candidates are elected by a certain majority of the UN's 193 member states. We used special envoys effectively throughout our bid for a UN Security Council seat and have appointed an envoy on human rights ahead of the elections for the Human Rights Council. The incoming government might consider more regularly appointing such envoys on a range of UN issues (such as humanitarian access and protection of civilians in conflict zones) in order to sustain that engagement between candidacies with countries where Australia's bilateral engagement is minimal (such as those in Africa, the Caribbean and Latin America). That will be particularly important, given the long lead-time for Australia's next run for the UN Security Council in 2029–30.

In addition to sustaining engagement with the UN, Australia will also need to continue to contribute intellectually to debates on solutions to global challenges. The appointment of a new UN Secretary-General in 2017 is likely to generate renewed interest in the direction of the organisation amid the growing global security challenges that it faces. The government should seize on this opportunity to generate discussion across government, civil society

and the private sector on areas where Australia can best contribute and add value to many of the high-level reform efforts underway.

Next year will mark 70 years since Australia first deployed personnel to a UN mission, yet our contributions of personnel to UN peace operations continue to decline. That's set to continue, as the AFP is expected to withdraw its remaining UN police peacekeeping commitment in Cyprus by 30 June 2017. Contrast this to Australia's advocacy for the first UN Security Council resolution on the importance of police in peacekeeping in 2014. There's a risk that Australia will diminish its claim that 'we do what we say', despite our rhetoric on the importance of supporting the global rules-based order. Furthermore, Australia is consequently losing operational experience and understanding of how complex UN peace operations work. That's a liability, particularly if there's a need for a UN operation in our region in the near future. It also puts us out of step with allies, partners and regional neighbours, who are all stepping up their commitments. The incoming government should be conscious of this when considering requests for more UN peacekeeping support.

Part of the challenge in sustaining Australia's operational support to the UN is that a lot of engagement on peace and security issues takes place in Africa. Yet we don't have a comprehensive strategy for engaging Africa, despite the growing threats to Australian interests (political, security, economic and human) on the continent. We should be seizing on the enhanced diplomatic engagement we did during our UN Security Council term to strengthen relations with a range of African partners and regional organisations, with which we can exchange lessons on shared interests (such as counterterrorism). This should extend to the private sector, as Australian companies continue to have substantial financial investments on the continent.

Australia's efforts to address global security threats will ultimately be less successful if there isn't a more comprehensive effort to integrate women's participation and gender perspectives into our foreign policy engagement. The government should build on the momentum of last year's 15-year global review of UN Security Council resolution 1325 to ensure that this is an integral part of our diplomatic, development and defence engagement, including at the political and strategic levels.

Conclusion

This chapter has only scratched the surface of a vast topic, but Australia's need for a creative and energetic foreign policy is as great as it has ever been. And that means we need to set aside our stereotype of diplomats as mere practitioners of 19th-century diplomacy. We need instruments with the capabilities to shape outcomes in the 21st century, and not just in the area of 'use of force'. Our foreign policy should be designed to further our grand strategy—to be a power for a liberal, prosperous, stable regional order and a net positive security contributor in a turbulent world. With fundamental change either already in train or in prospect in virtually all major areas of foreign policy, the incoming government should commission a new Foreign Policy White Paper to underline its priorities and optimise the fit between tasks and resources.

11 DEFENCE AND 21ST CENTURY MEDIA

Graeme Dobell

Key points and recommendations

- *Truth-with-speed.* The Media Age means that the Defence organisation must cope with communications demands ranging from the old foe, the press, to the cybersphere and billions of people who are 'digital citizens'. The simple recommendation for coping with this complexity is the motto 'truth with speed'. Maximum truth. Maximum speed. Always. Use constant truth firepower to occupy the information high ground and triumph in the media battle.
- *Kill 'draconian' Defence media controls and loosen the ministerial leash.* Truth-with-speed may seem like a motherhood sentiment, but Defence's default settings and those of the Defence Minister's office pull in the opposite direction. The control imperative means that the minister and Defence want strict command over what truth is spoken and when and how it's spoken; truth and speed are subject to ministerial approval! If Canberra embraces truth-with-speed as the recipe for the Media Age, it would alter the level and detail of ministerial control over Defence's release of information on operations. And it would force Defence to think more clearly about what can be concealed and what must be done in the open.
- *Digital citizens.* A striking element of the Media Age is the creation of billions of digital citizens; the mark of their citizenship is the smart phone they carry. Digital citizens have the tools and reach once controlled by the mass media; today, you don't need a TV station to be a broadcaster or to own a printing press to be a publisher. In the field, the strategic corporal will meet the strategic digital citizen. Afghanistan will be the last land war that the ADF fights where it isn't surrounded by digital citizens all armed with smart phones.
- *No more 'fog of war'.* Instead of the fog of war, the Media Age offers digital clarity. The new asymmetry reverses the old relationship in which the military vastly outnumbered the journalists. The military and government have less exclusive power over information and less ability to control information coming from the battlefield.
- *The prime directives of truth-with-speed.* The incoming government should promise as a core commitment to give Australians as much information as possible about ADF operations as quickly as possible. The automatic responsibility should always be to give as much information as possible, whether the news is good or bad. The working assumption must be that information should be released, not that it should be withheld.

The past agenda

The standard political and military approach to journalists is to use and abuse them. The hacks return it with gusto. When things go wrong and the going gets rough, the political-military strategy shifts gear to shut them out and shut them up.

Use and abuse or shut-up and shut-out are the two arms of Australian Government and Defence media policy. Express these modes of dealing with the media using the labels Engage and Exclude.

The dynamic that links and drives Engage or Exclude is Control—the political and military need to command, to have the power to direct and decide. The Control dynamic is central.

A key feature in considering the future agenda is that the political–military ability to Control is diminishing fast in the face of the myriad demands of Communication. In the Media Age, the ability to Control will often be overwhelmed by Communication in its many guises.

Please excuse the confetti of capitalisation as an attempt to express complex realities in one-word titles. This chapter uses Exclude versus Engage as functions of Control versus Communication. ‘The Media’ and ‘the Press’ are lowercased, as befits mouldy artefacts of the 19th and 20th centuries, while the Media Age will earn its caps as it creates billions of digital citizens free to roam the burgeoning cyber realm.

Governments have to Engage and Communicate, not just Exclude and Control, because they have voters to reach and stories that need telling. The frustration of having to Engage is expressed in a wonderful Tom Stoppard line: ‘I’m with you on freedom of the press. It’s the newspapers I can’t stand.’¹

While governments must Engage, the Australian military—seeking to please itself and its political masters—has consistent Exclude instincts. The Exclude behaviour is based on the experience of war and operations, but it throbs just as powerfully in the peaceful climes of Canberra.

The Exclude habit of mind is an unsung bit of the Anzac tradition. A century of Australian military history reveals a tendency to see Australian journalists as only slightly less dangerous than the enemy. An attack from the rear, deploying large headlines, is dreaded.

The WWI official correspondent, CEW Bean—the man who inscribed the Anzac legend in the histories and then enshrined it in the War Memorial—remarked that his two bugbears at Gallipoli were ‘Turkish flies and Australian officers’.

Unpack the elements of the Exclude habit as displayed by the Australian Defence Force, using shut-up and shut-out lenses. In war and conflict zones, Defence has an almost unique ability to control the access of hacks—a formidable shut-out power: ‘Stay with us and do as we say and we’ll protect you. Go solo and risk getting very dead!’ For journalists, this offer is tinged by tragedy. The growing roll of dead freelancers in myriad conflicts is a strong argument for getting into bed and becoming an ‘embedded’ correspondent with the military.²

In WWI and WWII, the shut-up tool was enforced using powerful censorship laws. In democracies, such overt control is today out of fashion. The military can no longer censor what hacks write or broadcast or tweet. Instead, there’s ‘media policy’, in which Defence adopts the habits of the minister’s office: control the information flow, hire minders, direct the story, stay on message, talk about what you want to talk about.

Negative or unwanted yarns are subject to ‘damage control’ and ‘rapid response’ and ‘clarification’. Even a carefully phrased denial. At the centre of the mindset is secrecy, often an all-purpose shroud. Defence shares the secrecy habit with everybody else in official Canberra. The threat of terrorism has generated a lot of new shut-up legislation aimed at hacks.

In the words of the hack’s union, the Media Alliance, the strengthened ASIO Act means that ‘Australian journalists face jail terms for legitimate public interest journalism.’³ The fundamental effect of the law ‘is to intimidate whistle-blowers and journalists’. In Canberra, the shut-up/shut-out habit is political practice and bureaucratic custom. As in any political capital, knowledge is power. And how and when you use knowledge—or keep it secret—is what the Control instinct is all about. It’s power.

With any policy approach, both formal and informal forces are in play. Apply this stated and unstated model to the way Defence does media policy:

- Stated reasons for shut-up/shut-out
 - Protect lives—of both ADF personnel and journalists

- Operational imperatives
- Secrecy
- Get accurate information to the Australian people
- Unstated reasons for shut-up/shut-out
 - Political advantage for the government and Defence Minister
 - Tight day-to-day control by the minister's office—especially over the release of any information
 - Burnish the image and guard against embarrassment
 - Bury mistakes and protect the organisation
 - Tell the Australian people what you want them to hear.

The stated and unstated reasons aren't quite in harmony because they focus on different objectives, producing all sorts of tensions. The purpose of the stated reasons is to prevail militarily and to win and hold the support of the Australian people. These are core principles that are unarguable. The unstated reasons don't get voiced because in the open they'd be attacked as dubious and deceitful.

The aim to secure the support of the Australian people is the same—by careful Control of the message. Rather than having an ultimate focus on military victory and lives, however, the unstated reasons are powered by immediate political and organisational imperatives.

The Control instinct throbs deeply in the Defence Minister's office, and that means keeping the tightest rein—and closest check—on any information to be released by Defence. Defence complies not just to obey the minister but to protect its own interests and the standing of its management and commanders.

The Defence aspiration for zero defects meets the minister's demand for no surprises and political advantage, producing media policy that's all about doing policy with as little uncontrolled media as possible.

To release information without reference up and down the chain and lots of checking becomes reckless institutional behaviour in Defence. All the signals are that talking to journalists—and, via the hacks, to Australians—is dangerous business, best avoided. The Exclude instinct is the default setting.

The agenda for change: from the media to the Media Age

The Media Age has been dawning since the middle of 20th century. It's a tribute to Defence's ability to fight old wars that it still devotes so much effort to dealing with the traditional foe—the press and the rest of the media.

Even as the press and media fade, shrink and morph, the Defence effort increases. Throughout the 20th century and into Afghanistan, Defence dealt with a mighty monster called 'The Press'. The beast evolved to become 'The Media'—big and rich newspapers, television and radio. This is a description of a time that's gone.

I lament that the mighty media creatures of the 20th century won't survive much of the 21st century. The big beasts lie down to die. Or shrink to become weaker critters. Oh, for the days when 'social media' described hacks out to lunch. A small irony is that the monsters can gasp to Defence: 'You're going to miss us when we're gone.'

Defence missing journalists! Now, there's a novel idea.

For Defence, there was an important structural advantage in dealing with the press: it was a set of known organisations with clear journalistic functions. The target was clear. At least Defence knew whom to Engage or Exclude. The press was called the fourth estate because it was a key institution of the national polity with institutional responsibilities to the country. The new media aren't so loyal to a single state.

The Media Age changes the game in fundamental ways. Journalism and journalists won't disappear (he proclaimed confidently). But the digital comets have hit and the atmosphere is changed forever. New realities throb. The mass

audience is splintering, and the mass that was once mass media is going with it. The behemoths of the press are shrinking as their readers and markets dash away through digital portals. Digital disruption dominates.

The Media Age has grown to become a global reality, not just a developed world phenomenon. A striking arrival is the creation of billions of digital citizens; the mark of their citizenship is the smart phone they carry.

The era is being defined by much more than huge new media corporations with the highest share valuations in the world. This is an age with billions of individual users who are more than customers—they function as digital citizens. The Enlightenment marked the shift of the people from being subjects to citizens; the Media Age creates customers who demand the rights of digital citizens.

Digital citizens have the tools and reach once controlled by the media; today, you don't need a TV station to be a broadcaster or to own a printing press to be a publisher.

For Defence, as much as for any other arm of government, the policies and techniques that once worked with the media won't suffice. The central purpose of Exclude or Engage is to Control. To repeat, it's about power.

Power, though, is dispersing.

The Media Age is about Communication, not Control. The creations of Communication can overthrow Control and subvert secrecy at the touch of a key. The massive data dump of 'secrets'—government or business—is a motif of the Media Age. The hacker performs as both digital criminal and digital guerrilla.

What's the terrain of the Media Age? It's a networked series of places—a land of the mind—and the borders are ever more porous. A vital part of the terrain is still occupied by the press and news media. Journalism matters and will continue to be important. Courtesy of the US, think of this as First Amendment Land—the place of a free press not subject to government control.

Yet First Amendment Land is only one part of the terrain. Other areas are growing fast and taking over a lot of territory—to use the jargon, occupying more bandwidth. Across the lands of the Media Age roam the digital citizens. In their billions. Newly connected. Greatly empowered.

One small thought about digital citizens and what they will mean for the ADF on deployment or at war: Afghanistan will be the last land war that the ADF fights where it isn't surrounded by digital citizens all armed with smart phones.

Operational secrecy? Media guidelines? Sorry, sir, it's already up—tweeted and videoed and Facebooked and blogged and Instagrammed and Youtubed.

Serving the digital citizens and using them at the same time are the great new digital corporations. Apple, Facebook, Google et al. are media companies. They assume First Amendment rights but they don't think like the press; journalism may be one product they communicate but journalism isn't what they do.

The differences in the foundational attitudes of the press and the new media giants point to how the terrain is altering. The press was a creation of the nation; the fourth estate functioned so that the country could have a conversation with itself.

The digital media corporations disregard national boundaries (it's called the World Wide Web for a reason). They are international and aspire to be universal as both a social and a business model. They choose governments for their tax regimes, not out of any sense of national loyalty.

The aim is to provide communication and connection. Like the press, the new media aren't too keen on government concerns about secrecy and security.

They worry deeply about the security of their systems and promise that security to their customers. They want all their customers' secrets (data) and promise that it'll be kept safe—even from government.

Apple's fight against the FBI's demand to hack into the iPhone of a terrorist was a struggle over the security interests of customers versus the security needs of the state.

Thanks to digital convergence, another enveloping chunk of the Media Age is the cybersphere. For Defence purposes, this is a new realm where Australia will now play offence as well as defence. The cybersphere, though, isn't a separate realm in the Media Age but part of the era's foundation.

What agenda could encompass this diverse terrain?

To be any use, policy settings have to be able to deal with the press, digital citizens and the cyber realm. To encompass such territory, the agenda has to go back to the basics. Express the agenda advice in six words: speak truth, always; speak fast, always. Hyphenate the motto to show how the two concepts must merge: truth-with-speed.

It's so simple and self-evident as to be a motherhood sentiment, but Defence's default settings—and those of the minister's office—pull in the opposite direction.

The Control imperative means that the minister and Defence want command over what truth is spoken and when and how it's spoken; truth and speed are subject to ministerial approval!

If Canberra embraced truth-with-speed as the recipe for the Media Age, it would alter the level and detail of ministerial control over Defence's release of information on operations. And it would force Defence to think more clearly about what can be concealed and what must be done in the open.

If Canberra embraced truth-with-speed as the recipe for the Media Age, it would alter the level and detail of ministerial control over Defence's release of information on operations.

How much truth can Canberra manage? The system understands—in theory—the benefits of openness. Releasing the Cyber Security Strategy in April, Prime Minister Malcolm Turnbull pledged to be more explicit about cybercrime successes and failures and hack attacks: 'Only by acknowledging, explaining and analysing the problem can we hope to impose costs on perpetrators and empower our private citizens and government agencies and businesses to take effective security measures.'⁴

The PM's new cybersecurity advisor, Alastair MacGibbon, posed the dilemma: 'The question is how open a government can be about cyber-security without causing further damage and without hanging out all the government's crown jewels?'

Across all the terrain of the Media Age, the balance has to be struck and tough choices about where to draw the lines have to be made.

A good start is to be clear about what are the crown jewels, and to separate them from mere convenience, embarrassment, stuff-ups, political plays and bureaucratic comfort. The distinction is between jewels and tawdry trinkets.

The need for truth-with-speed is building as the terrains merge. Rather than treating social media and traditional media as different entities, see them as a continuum running right across the Communications landscape. The borders have mostly evaporated. Thus, the same rules apply across the border.

You can't have one message for a domestic audience and a different message for an international audience. They are all the same audience. And you have to give the digital citizen what once was reserved for journalists. The hacks no longer control the news, just as governments control less and less of the information.

Give the press what you should give the people: hacks and digital citizens must be treated as equals, because in this new terrain they are all the same. The continuum—the merging of terrains—simplifies the agenda in one big way: treat them all equally; truth-with-speed for all.

See new media as part of the whole; technologically, it's transformative, but many of the military–media issues (Exclude versus Engage; Control versus Communication) will recur. Old lessons still matter while old attitudes will have to change.

The military instinct has always been to control, censor and shut-out the press, but that instinct is antediluvian in the Media Age.

The military instinct has always been to control, censor and shut-out the press, but that instinct is antediluvian in the Media Age. The destruction of the economic and social place of the press accelerates the trend and highlights the inability of the military to shut-out and shut-up lots of other players.

Time to relearn some hard-won lessons about the relationship between journalists and the military in times of conflict, and then apply them broadly using the truth-with-speed motto.

As the agenda for change, below is a set of basic media principles for use in the Media Age. The three prime directives draw on recommendations offered 30 years ago by the Centre for Journalism Studies, University College, Cardiff, in a study commissioned by Britain's Ministry of Defence after the media policy shambles (and scrambles) of the Falklands War.

So the basic principles are not that new. The big break with recent practice is to seek a clearer demarcation of media policy roles between the minister and the ADF. This is especially the case for ADF operations. The Afghanistan lesson was to tell a lot more, while the Media Age demand is to tell it a lot more quickly.

If accepted, these principles will require changes in modes of thought and working habits for Defence and its political masters. Defence would get some freedoms that it might find confronting. Let off the ministerial leash, it would have to speak more openly and honestly about what it is and how it works.

The prime directives of truth-with-speed:

- The government promises as a core commitment to give Australians (and all other digital citizens) as much information as possible about ADF operations as quickly as possible. The ADF should be charged with fully meeting this promise to always deliver maximum truth with maximum speed. The principle will apply in peace and war.
- The automatic responsibility is always to give as much information as possible, whether the news is good or bad. This is the default setting and the basic rule, not just a declared principle. The working assumption must be that information should be released, not that it should be withheld.
- Secrecy and partial releases of information for operational security reasons must be reviewed constantly. Defence must detail the categories of information regarded as 'crown jewels'. What's to be kept secret and—broadly—why? Defence should report regularly to parliament on how it's meeting the responsibility for maximum disclosure.

The call for less political control and bureaucratic obfuscation is about responding to reality as much as any commitment to truth. The reality is that ever more information flows from ever more sources. To censor or limit information or to be slow to speak merely vacates the arena and allows other voices to define the issue or define you.

History says that the prime directives are simple statements that will be hard to do on a daily basis. Not least of the challenges will be the restraint demanded of the minister and the commitment to openness required of Defence.

Nearly as challenging will be the change in the habits of mind of leaders and commanders.

To work as intended, truth-with-speed will reduce the right of the Minister's office to control or vet all statements—big or small—by the department.

To serve the speed side of truth-with-speed (and reduce the temptation for political meddling), the ADF should have primary responsibility for releasing information on activities at the tactical and operational level.

The Defence Minister is to be constantly and fully informed, but should have no veto over the timing of releases. That's Defence's responsibility, and the prime directives say this is to deliver truth-with-speed.

In turn, to reduce the temptation for Defence in Canberra to meddle or control, responsibility for most tactical and even operational announcements should rest with commanders in the field. Canberra sets the guidelines, but the onus for making truth-with-speed the daily reality should rest with those commanding operations on land, at sea, in the air, in space or in cyberspace.

The responsibility to announce should be pushed down the chain of command. With this responsibility come great opportunities. The chance is to explain, persuade and influence, to drive the media cycle and to talk to digital citizens everywhere. The media philosophy at work is the belief that in the Media Age the more you give the more you make.

The continuous flow of honest news—good and bad—from the ADF in the field doesn't cut Canberra out of the action. Indeed, the solid basis of fact continuously flowing through all available digital channels is a platform for the government and Defence to do their part of the media job from Canberra.

As always, the role of the Prime Minister, Defence Minister and ADF chiefs is to set out the grand strategy—what's these days called 'the narrative'. More than announcing and explaining, the job for those at the top is to argue, guide and convince. The day-to-day action must be related to Australia's aims, military purposes and diplomatic endeavours.

What's offered to the Australian voters is given simultaneously to digital citizens everywhere. This age demands it as a basic response but also rewards it as proper behaviour.

In military–media matters, the following all apply:

- Every element of the media must be served. Using every digital channel means treating journalists and digital citizens the same.
- All military commanders must have a media and information dimension in their operational plans. It worked for Napoleon and it still does.
- Train officers, NCOs and everyone in the field to operate in the Media Age. Get them to understand that journalists aren't monsters. More importantly, train them to understand that today every digital citizen can report on their actions. The 'strategic corporal' will constantly meet the 'strategic citizen'.⁵
- Instead of the 'fog of war', the Media Age offers digital clarity. More people will be able to see much more of what happens in conflict. The ability to conceal and censor recedes.

- Digital citizens outnumber the military and can deploy more communications power. The new asymmetry reverses the old relationship in which the military vastly outnumbered the journalists. The military will have less exclusive power over information and less ability to control information coming from the battlefield.
- Information can be delayed but rarely can it be withheld indefinitely. The short-term gains of delay, obfuscation or denial should be weighed against the longer term cost in credibility and reputation when the facts leak or are revealed from elsewhere.
- Australia should allow the maximum possible number of journalists to cover ADF operations. Australians should know what the ADF is doing in the field and they should get much of that information from Australian reporters, not just official spokespeople.
- Truth-with-speed treats the good and the bad equally. The defeats are detailed as fully as the wins. The snafus rank with the successes.

For any bureaucracy, this is tough. For politicians, it's completely counterintuitive. The Control instinct throbs powerfully, yet recent history reveals it as a dangerous instinct. Hiding stuff becomes a gamble instead of a judgement call. The next data dump could blow up all those secrets in a single moment.

Truth-with-speed is about what can be made to work in the Media Age. Applied consistently, it becomes a considerable soft-power weapon to convince your own people and inform others. The reputational benefits will build because what Australia says can be believed.

For Defence, truth-with-speed matters greatly for the most important group of all: the men and women who wear the uniforms and go into the field. They are face to face with the reality. To hear their leaders telling the truth about that reality is an affirmation of what the ADF is and what Australia means.

Notes

- 1 Nick Cohen, 'It's the newspapers I can't stand', *The Spectator*, 30 April 2012, [online](#).
- 2 Jason Logue, *Herding cats: the evolution of the ADF's media embedding program in operational areas*, working paper 141, Land Warfare Studies Centre, Australian Army, June 2013, [online](#).
- 3 'Journalists still face jail under Asio Act changes', media release, Media, Entertainment and Arts Alliance, 3 February 2016, [online](#).
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- 5 'Three Block War', *Wikipedia*, last modified 22 September 2015, [online](#).

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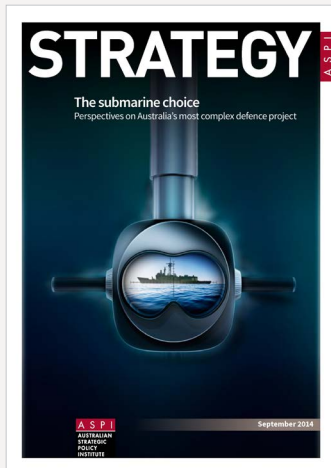
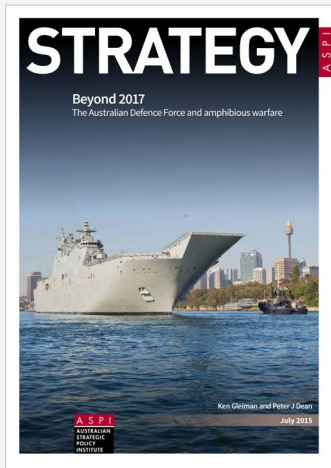
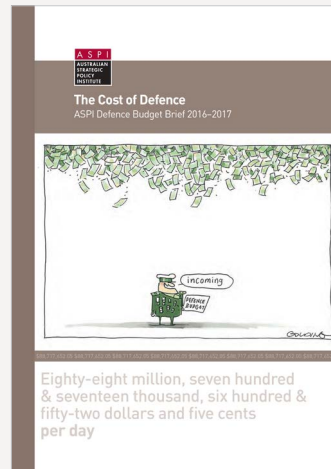
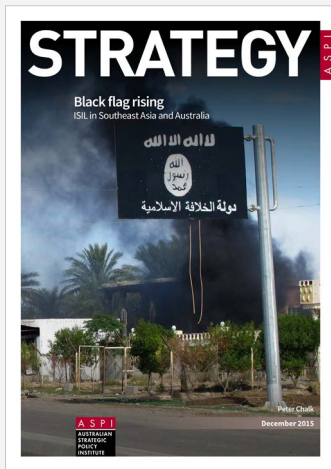
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Some previous ASPI publications



Agenda for change 2016

Strategic choices for the next government

The defence of Australia's interests is a core business of federal governments. Regardless of who wins the election on July 2, the incoming government will have to grapple with a wide range of security issues. This report provides a range of perspectives on selected defence and national security issues, as well as a number of policy recommendations.

ASPI produced a similar brief before the 2013 election. There are some enduring challenges, such as cybersecurity, terrorism and an uncertain global economic outlook. Natural disasters that affect large groups of people are a constant feature of life on the Pacific and Indian Ocean rim.

But there are also challenges that didn't seem so acute only three years ago but which need attention now. Recent events in the South China Sea have markedly ratcheted up regional tensions. And North Korea's increasingly sophisticated nuclear and missile programs continue to destabilise North Asian security. ISIS has emerged as a serious military threat in the Middle East and an exporter of global terrorism, both by sending operatives out to other countries, and by recruiting locals through an online propaganda program.

The incumbent for the next term of government will have to deal with these issues.



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