

PERSPECTIVES

**BALANCING AUSTRALIA'S SECURITY
INTERESTS**

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S E P T E M B E R 2 0 0 6

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Balancing Australia's security interests

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The subject I have been asked to discuss is “Balancing Australia’s Security Interests” and I should begin by defining what I am talking about. Security interests, at least in the way I will be using the term, relate to our national capacity to preserve our territory from attack, our institutions and identity from challenge, our citizens and assets from politically-motivated physical harm, and an international order which enables us to prosper. Security interests are therefore narrower than national interests (a troublesome idea for academics, I know, but essential for policymakers) but broader than strategic interests, which relate more specifically to the circumstances in which we might be compelled to use armed force.

The idea of balance in the title is also complicated and I am conscious that in some of what follows I am sliding between different uses of the word. Sometimes I am describing a relative weighting of different interests, sometimes a trade-off between contending interests, and sometimes I use the word to describe the attainment of an equilibrium as in a balance of power. And at times the balance I am discussing is not one of interests but of the instruments used to pursue them. I hope the different ways in which I have used the word will be clear enough in what follows.

Like all countries, Australia is engaged in a continual process of balancing our security interests. This is because whilst our interests are almost unbounded, the resources we can deploy to support them – financial, technological and human – are always limited. Furthermore, because our interests exist in an international system which is perpetually in flux, their balance is always changing. The result, if we are to use our national assets most

effectively, is that we need to decide where, for this country, at any particular time, the balance best lies.

This debate about relative weightings has always been at the core of the Australian security discourse rather than any deep disagreement about the ways we should seek to protect our interests. On those methods – the centrality of the US alliance, the need to develop close security links in Asia, a general belief that Australia needs to engage in the business of international politics rather than to isolate ourselves from it – a broad political consensus has formed, at least between the major parties.

That has still left plenty of room, however, for vigorous disagreement about where the balance should lie between

- Our global and our regional security interests
- The contribution we make to the United States alliance versus the requirements of self-reliance
- The weight we place on state and non-state actors as a source of threat
- The relative usefulness of multilateral and bilateral instruments to press our interests

Where the debate gets sharpest, as you might expect, is where it impacts most directly on the allocation of resources: either between the individual services, or between the ADF and the other parts of the national security infrastructure, including the intelligence agencies and the Australian Federal Police. A lot rides on the results of the debate – \$19.6 billion this year in the Defence Department's budget alone.

This is a much more interesting debate than that often postulated between the Defence of Australia mavens and the globalist supporters of expeditionary forces. So far as I can see, the further you move from the op-ed pages of the newspapers the less real that particular debate becomes: almost everyone of substance who is engaged in it wants some of all of the above. It is balance which is the question.

In a globalising world, our security interests – or at least their particular manifestations – can change quite quickly. They have done so over the past fifteen years as three defining events, each of them unanticipated, have transformed Australia's global and regional strategic landscape.

The first, and most important, of these was the sudden end of the Cold War, from the fall of the Berlin Wall in 1989 to the collapse of the Soviet Union two years later. This event – unexpected equally by everyone from the Soviet politburo to the US Administration – ended the bipolar structure which had shaped the post-war world. The United States emerged overwhelmingly as the dominant strategic power, uniquely possessing both the capacity and the will to project power globally. But economically it had peer competitors in Japan, Europe and, later in the 1990s, an emerging competitor in China.

The end of the Cold War thawed the geo-strategic ice in which many regions had been frozen, bringing tragedies in the Balkans, but most relevantly for Australia, bringing opportunities in Asia. In security terms, the end of the Cold War removed an important element of risk associated with military interventions – that they would become caught up in a broader global struggle. So a huge upturn took place in the number of such operations, particularly peacekeeping. More than half of all Australian military deployments since the Second World War have taken place since 1990.

The second large unexpected event came just six years later with the 1997 financial crisis in Asia. Because Asia has recovered much more quickly from the crisis than many observers expected, its scale tends to be forgotten and its impact underappreciated. In 1998 real GDP fell by more than 13 per cent in Indonesia, by more than 10 per cent in Thailand, and by around 7 per cent in South Korea and Malaysia. In Indonesia, unemployment doubled and inflation grew by 80 per cent. Within a twelve month period the countries of Southeast Asia and Korea saw a \$100 billion reversal of capital flows.

This economic crisis had political and strategic consequences that are still rippling outwards. Perhaps most importantly for Australia it brought about President Soeharto's resignation in May 1998 and the end of the New Order regime in Indonesia which had been such a benign element in Australia's strategic environment for thirty years. From it emerged a democratic, decentralised Indonesia whose form and future is still being worked out.

And it set in train the events that just over a year later led to the August 1999 referendum in East Timor, the military-supported violence that followed, the deployment of Australian forces under INTERFET and the country's eventual independence. The results of these developments will be a permanent part of Australia's regional security responsibilities.

The crisis also marked China's re-emergence as a regional power, working cooperatively with its neighbours. And, for reasons I will come back to shortly, it accelerated China's economic rise.

The third and final bolt from the blue came with the terrorist attacks on New York and Washington in September 2001. Intelligence agencies and political leaders had certainly worried before then about jihardi-salafist terrorism but few had identified it as a central, existential threat.

In security terms, the 9/11 attacks were transformative. They galvanised United States involvement with the world, albeit an involvement that was more unilateralist than multilateralist in form. "You're either with us or against us in the fight against terror" said President Bush.

The attacks added a new, chilling dimension to the role of non-state actors in the global environment. They made the "war on terror" the central organising principal of US strategic policy. They led the Administration to war in Iraq – the first major geo-strategic blunder of the 21st century. And after Afghanistan and Somalia showed how terrorism could thrive where governance was weak, they focussed attention on fragile states as a source of security threat as well as humanitarian concern.

The attacks had a particular impact on Australia's alliance relations with the United States. The Prime Minister's presence in Washington on September 11 and the personal relationship he forged with President Bush facilitated the greatest deepening of United States and Australian military engagement since the establishment of ANZUS. This included John Howard's announcement that the ANZUS Treaty was being invoked, the Australian military commitments in Afghanistan, then Iraq and a general expansion of intimate institutional cooperation between the American and Australian armed forces. At another level it made possible the successful negotiation of the Australia-United States Free Trade Agreement, a further reinforcement of the broader relationship.

When the JI attacks in Bali came just twelve months later, in October 2002, they added an immediate national and regional dimension to these global concerns. What followed was an intensification of Australia's security involvement with regional countries, especially Indonesia – and particularly in counter-terrorism and policing.

The lessons the government drew from the terrorist attacks about the consequences of failing states helped push Australian policy in the direction of a more activist engagement with regional countries. Australian policymakers felt impelled to demonstrate to allies that we could be relied on to tidy up our own region. The Regional Assistance Mission to Solomon Islands (RAMSI) and an effort to develop a deeper, more hands-on engagement, including security engagement, with Papua New Guinea through the proposed, but never fully implemented, Enhanced Cooperation Program followed.

The impact of these three events was to shape an early 21st century global security environment that is characterised by

- Strategic unipolarity but economic multipolarity
- A shift in the broader global power balance back towards Asia
- A greater role for non-state actors in a security environment that needs to be understood in broader terms than in the past.

How is this world different for Australia? Let me begin with the first two, interrelated, elements of the new security environment: strategic unipolarity, economic multipolarity and the shift in the global power balance back towards Asia.

For fifty years after the second world war Australia enjoyed a reasonably simple and beneficial situation in East Asia. Our major ally – the United States – and the country that soon became our major trading partner – Japan – were themselves allies. Japan had taken the decision – or rather circumstances had forced it to do so – to outsource its strategic defence, in particular its nuclear defence, to the United States. Japan was able to focus on its economic development, with hugely beneficial consequences for Australia and the wider Asian region. The result for Australia was that our economic interests and our security interests were closely aligned.

For most of this post-war period China was weak, if troublesome, and consumed by internal problems whilst India's post-colonial development model was inward looking and autarkic.

Globalisation, which lay behind all the events I have described, changed that. From the 1970s onwards a series of transforming technological developments – the personal computer, the internet, mobile telephony, satellite television, containerisation – made it easier and much cheaper to transport information and products around the world. The result was a world that

was increasingly economically and financially integrated, where information moved more freely and it was much harder to define the borders between the domestic and the international.

Asia generally, and China in particular, were well placed to take advantage of this new world.

Politically, as the old bipolar structure crumbled with the end of the Cold War, new forms of Asian regionalism became possible. ASEAN expanded to include the communist countries of Indochina. APEC – a structure that brought together the key trans-Pacific powers, China, Japan and the United States – was formed. The ASEAN Regional Forum was established to discuss regional security. At a broader cultural level the “Asian values” debate was launched. And after the 1997 financial crisis, when regionalism took on a more exclusively Asian form, we saw the creation of the ASEAN Plus Three and East Asian Summit groupings.

Economically, Asian economies were better able than any other part of the developing world to integrate themselves into the global supply chains that globalisation made possible. Deng Xiaoping’s decision to bet the future of the Communist Party of China on a market economy, China’s relatively open attitude to foreign direct investment and the torrent of FDI redirected from other parts of Asia after the financial crisis, all positioned China particularly well to benefit from these changes. It became the end point assembler for an increasingly integrated Asia-Pacific market. Growing at around ten percent a year, China is now the world’s fourth largest economy on exchange rate measurements, second largest by Purchasing Power Parity.

The other billion person-plus economy in Asia was also on the move. India’s growth came from the early ’90s onwards and it followed a very different pattern. India’s competitiveness came from skill-intensive services, a sector which, before the cheap, fast telecommunications that globalisation delivered we had never really thought about as tradeable. India’s growth has been slower than China’s but it is now averaging around eight per cent a year, a level which it has the potential to sustain. With its younger population, India also has substantial long-term demographic advantages over China. (although that also brings with it the challenge of generating jobs).

And it is important not to lose sight of the other major Asian power, Japan. Japan remains the world’s second largest economy by exchange rate measurements and since mid-2002 it has experienced its longest uninterrupted expansion since the second half of the 1960s.

These developments underline the way global economic power is flowing back towards Asia, redressing an imbalance that lasted for about two hundred years following the industrial revolution in Europe. At the beginning of the nineteenth century Asia and India accounted for about half the world economy. By the early 1970s this was down to less than ten percent. It is now back up to around twenty percent. Asia's economic growth will not be without problems and reversals but for the purposes of security planning it would be unwise to bet that the secular trend will not continue upwards.

Asia's growth gives the growing economies of the region a new range of interests, some of them competitive. And it will generate the resources to enable them to assert and protect those interests.

The Asian security environment in which Australia now operates is one in which for the first time in the history of European settlement in this country Asia has a number of great power players – Japan, China and India – each seeking to protect its interests and extend its influence. And the world's pre-eminent power, the United States, has made clear that it too intends to remain engaged in the region.

China has become in a very short period of time the paramount regional power, using soft as well as hard power assets, including aid and skilful diplomacy, to develop effective influence over its Southeast Asian neighbours as part of its "Peaceful Rise" strategy.

Largely in response to China's re-emergence, Japan has been remaking itself as a "more normal" country, meaning one that will be less constrained constitutionally or psychologically from security engagement overseas. The policies developed by Prime Minister Koizumi are being carried on by his successor.

India is also asserting itself more effectively in the region, building in part on a transformation of US policy towards India to embrace a "strategic partnership", the aim of which Washington describes as being the building of a "durable defence relationship that will continue to support our common strategic and security interests".

A paper to be released shortly by my Lowy Institute colleagues Mark Thirlwell and Anthony Bubalo called "New rules for a new 'Great Game'" reminds us that last year China and Japan were the world's second and third largest consumers of oil, and that South Korea was the seventh largest, just behind India in sixth place. The three Northeast Asian economies accounted for almost 18% of total world demand. By 2030 their demands for energy will

have grown and their dependence on the Middle East for oil imports will be greater than ever. According to the US Energy Information Agency, China's imports from Persian Gulf OPEC members are likely to rise from 0.9 million bpd of oil in 2003 to 5.8 million bpd by 2030. As we heard yesterday, the search for secure energy supplies and the need to protect the distributions channels of that energy already has the countries of the region rubbing up against each other.

Two different trends are at work in Asia – one towards greater economic integration and the other towards greater political divergence, or at least greater national assertiveness. You can see that dual tension at play in several different environments – in the cross-strait relationship between Taiwan and the mainland, in the frosty political relations but deeply entwined economic relations between China and Japan, in South Korea's attitudes to both its large neighbours.

The checklist of Northeast Asian security problems is familiar: North Korea's nuclear ambitions, tensions across the Taiwan Strait, possible conflict over territorial waters between Japan and China, the possibility of a serious deterioration in US-China relations over China's long term strategic ambitions. All these issues may from time to time be managed well or badly, but for the present none of them looks like being resolved as opposed to managed.

Whatever security problems may arise from the conflicting interests of regional powers, however, through to the mid-century at least the global strategic environment will continue to be unipolar, dominated by the United States.

The third distinguishing feature of the early 21st century security environment is in the greater role for non-state actors in a security environment that needs to be understood much more broadly. International relations realists used to take comfort in the fact that while much in the world was changing, at least nation states held a monopoly of force. After 9/11 it was not possible to claim even that. The United States has centred its national defence posture around a "Long War" against violent extremists. The state of Israel has just fought a conventional war against a non-state actor, Hezbollah.

No idea in international relations has changed more fundamentally during the past fifteen years than the concept of security. Views on how security should be defined, who is responsible for it and how it should be implemented have all changed. In different ways, the Rwandan genocide, the Srebrenica massacre, the threat of new diseases like SARS and avian influenza, growing evidence of the impact on security of environmental problems like global

warming and terrorist atrocities fuelled by religious extremism have transformed our understanding of what security means. From the strong, state-centred system, based on mutual deterrence and firm alliances, that successfully kept the peace (or at least prevented global conflict) during the Cold War, the world has entered a much more fluid period. The walls between internal and external security have been breached as effectively as those between the domestic and the international economy.

Liberal internationalists draw from this the lesson that security needs to be redefined to include the concept of human security, which places the security of the individual rather than the state at the centre of the debate. They conclude, too, that traditional ideas about non-interference in the affairs of other states need to be replaced by a new international norm emphasising the international community's "responsibility to protect" those at risk from genocide or other threats.

Others, coming from traditional realist or neo-conservative positions, agree that threats are increasingly coming from sources outside the state structure. Some of them argue that adversaries like terrorists who can not be deterred by conventional means need to be confronted through preventive action, and that static alliances are of less use in addressing new threats than are "coalitions of the willing".

At an operational level the experience of international peacemakers and peacekeepers from the Balkans to East Timor has changed ideas about how military forces need to operate, how they should be structured and their interaction with police and civilian agencies.

In many ways the shape of this emerging world suits Australia well. We have a deep economic complementarity with an economically rising Asia. We have a close relationship based on strong affinities of culture and language with the United States, which will remain the world's dominant power in security terms. We are an old democracy with robust and effective institutions of governance that enable us to compete effectively in a globalising world. And as the only nation in the world with a continent for ourselves, our air-sea moat is as useful against the new security threats – terrorism, disease, crime – as against traditional invasive threats. Not impermeable by any means, but our geography certainly assists quarantine and border control.

But the balancing of our security interests is likely to become harder. The expansion of Australia's security commitments over the past fifteen years has coincided precisely with the longest period of unbroken economic growth in our history, beginning in the third quarter of

1991, just as the Cold War was ending. Unless you believe that economic cycles have been vanquished forever you would have to conclude – at a minimum – that the relatively easy budgetary choices we have faced recently are unlikely to persist for the next fifteen years. At some point it is going to become more difficult for Australian governments to continue to tick “all of the above” in the budgetary boxes. You don’t have to look beyond Mark Thompson’s valuable work for ASPI on the defence budget to see that.

So what are the balances we will have to consider? First, the easy alignment of Australia’s security and economic interests which marked the second half of the twentieth century will not persist in the first half of this one. As I argued earlier, Asia will have more than one great power contending for influence and assets.

For Australia this will come to a head in the relationship between China and the United States. I’m not pessimistic about that relationship but it remains deeply unresolved.

From the US perspective, the 2006 Quadrennial Defence Review is surprisingly candid about China. Of the major powers, it says, China “has the greatest potential to compete militarily with the United States”. Part of the American response to this is to suggest that the United States “will work to achieve greater integration of defensive systems among its international partners in ways that would complicate any adversary’s efforts to decouple them.” But to what extent does this imply an unspoken containment policy of China? Such a strategy would be dangerously counter-productive for Australia and the region. .

Australia is unlikely to have to choose militarily between Washington and Beijing. But the point for Australian policymakers is not really about such a choice. It is about the range of pressures well short of that from our key ally and our second largest trading partner to which we will have to respond and the policy decisions we will have to make, including the direction in which we try to shape the policies of our allies and our friends.

There was some discussion yesterday about possible different perceptions of China in the United States and Australia. One piece of empirical data we have on this is from the Lowy Institute’s 2006 poll which shows that yet again the development of China as a world power was seen as the lowest of all the potential threats facing Australia. Perceptions can change with behavior but most Australians see China as an opportunity rather than a threat.

I don't think Australia's own security policy objective with regard to China is difficult to determine. It is surely to see China emerge as a responsible great power into a broader region that is confident and self-reliant. It is the getting there that will be difficult.

It is not just the balance of our interests with the United States and China that we will need to consider, but Japan and India too. Australian policy for many years has been to support Japan's emergence as a 'normal' country, that is, one able to take part in regional and global security cooperation, to offer peace keeping forces to global trouble spots, to conduct joint exercises. We have also had a longstanding view that Japan should be a member of the UN Security Council. But it is certainly not in our security interests to encourage in any way strategic competition between Japan and its neighbours.

This is an area of Australian security where the trade-offs are likely to get harder and our policy seems to me insufficiently developed. So while I support Foreign Minister Downer's proposal for an umbrella security agreement between Japan and Australia, I am much more sceptical about the decision to raise to Ministerial level the meetings of the Japan-US-Australia Trilateral Security Dialogue, still more about the idea raised by Japanese Prime Minister Shinzo Abe of expanding it to a quadrilateral forum with India. It is a pretty good rule of thumb in international relations that confused and unclear objectives are a poor basis for institution building. That is what I fear about the TSD where both publicly and privately the three participants seem to have different objectives and divergent long-term aims.

We face a similar problem with India's emerging role. It is sometimes suggested that India should be brought more into the affairs of East Asia, with the implication that it would provide an important counterweight to China's rise. I'm not convinced by this line of argument either.

I am certainly in favour of the development of closer, more productive links between India and East Asia. I am very pleased that it has joined the East Asia Summit process. But India's interests in energy, product markets and broader security are more likely to draw it in a westerly than an easterly direction. It is likely to find itself heavily preoccupied with the states on its borders – Bangladesh, Nepal, Pakistan, Sri Lanka. It has had difficult relations with China in the past that have led to military conflict. India has its own interests to pursue with China and its own concept of its role in the world that I think make it an unlikely member of other people's containment strategies.

A long-standing element in Australian security policy has been its efforts to support a continuing United States presence in Asia. In the early 1990s when it looked as though Washington might be losing interest in the region, the Australian policy response was the development of the APEC leaders meetings to try to engage the American leadership. Ten years later, the response from the Howard Government to the strategic shocks experienced by the United States after 9/11 was to deepen Australia's bilateral security links including through support for US interventions in Afghanistan and Iraq.

The direction of US strategic policy is likely to change again as the American people absorb the lessons of Iraq, Iran and Afghanistan. It is too soon to tell whether their response will be a relative withdrawal from the sort of direct engagement with the world we have seen over the past five years, or a reversion to a more traditional alliance-building diplomacy or, least likely, except in the event of another major terrorist attack, a continuation of the Bush doctrine's ambitious globalist aims. But helping to ensure that what comes next involves continuing creative engagement in Asia will be an important emerging aim for Australian policy.

When we come to Australia's immediate neighbourhood, Melanesia, we are talking about a different sort of balance. Here it is the balance of instruments we use to address our security interests that will matter most. The challenges we face close to home are not those related to economic success, as in East Asia, but to the consequences of economic failure. Australian policy towards the South Pacific tends to cycle first through periods of interventionism and then a more hands-off approach in which we put greater weight on the need for regional states to work out their own solutions. We have been through a half-decade of interventionism now and seem to be cycling out again as the difficulties of operations in Solomon Islands and East Timor become clearer. But this is always going to be a matter of degree because given the real security interests we have in the Pacific, we can have no exit strategy from Melanesia. These interests include the consequences of crumbling social infrastructure, corruption, crime, people movement and disease. HIV infection levels in PNG are growing at African rates: by 2010, ten percent of the population could be affected. Security issues like these are not best addressed by traditional military forces. They require a very different mix of policing and development skills and very large resources. Australia is already spending around \$A700 million annually in Melanesia on development assistance alone. We spent \$130 million just on the military element of our commitment to RAMSI.

Australia has placed a lot of emphasis on the need for whole of government responses to these problems, but we haven't yet properly begun the task of allocating resources most efficiently to achieve our aims.

One particular area of Melanesia we need to address with greater attention will be the Indonesian province of Papua. This seems likely to be one of the most difficult security issues that Australia and our largest neighbor, Indonesia, will have to deal with in the coming years. For Australia, it combines a range of "new" security issues such as illegal people movement, refugees, health and environmental issues with the most traditional questions of nationalism and state sovereignty. It has the potential, like East Timor, to disrupt and derail the rest of the bilateral relationship with Indonesia where it engages immediate suspicions of Australian intentions. And because any large-scale unrest in Papua could spill over into Papua New Guinea, with which Australia has security links (including a treaty commitment to consult in the event of external armed attack), it also potentially involves a third state.

On the balance between state and non-state actors, the developments in Asian power structures I discussed earlier will be a constant reminder to us of why states still matter. Non-state actors will continue to threaten us but, after Iraq, the relative roles of the military and intelligence forces in that struggle is likely to change. Most of the struggle against terrorism will be borne by intelligence and prevention.

In the great spectrum of our security interests ranging from the global through the regional to the domestic, one unexpected and difficult theme keeps recurring in this first decade of the 21st century: nation-building. From the problems encountered in Iraq and Afghanistan, through the dilemmas we face in helping to rebuild East Timor, PNG and Solomon Islands to our domestic problems where, as the Prime Minister said yesterday "social cohesion is a great national challenge" we are all in the nation-building business now. It is a reminder to us all that the security debate is getting wider and more complex and that the participants in it need to be much more diverse.

ABOUT THE AUTHOR

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