

**Submission to the
*Defence White Paper 2015***

28 October 2014

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Contents

Executive Summary	3
Recommendation 1: Deepen US-Australian military alliance	4
Recommendation 2: Strengthen security ties with India and Indonesia	6
Background: The Centre for Independent Studies	8
Endnotes	9

Executive Summary

Recommendation 1

That Australia deepen its military alliance with the United States in response to the shifting centre of global military gravity towards Asia. The Australian government should work to:

- a. Establish a rotational presence of US naval vessels at HMAS Stirling (Perth), HMAS Coonawarra (Darwin), or HMAS Cairns;
- b. Establish a rotational presence of US air force aircraft at RAAF Base Pearce (Perth), RAAF Base Darwin, RAAF Base Tindal (Katherine), or RAAF Base Townsville; and
- c. Host US air force and/or naval assets at expanded facilities on the Cocos Islands and/or Christmas Island.

Recommendation 2

That Australia strengthen its security ties with India and Indonesia to hedge against the risk of strategic overdependence on the United States. The Australian government should work to:

- a. Establish an annual tri-lateral naval exercise between India, Indonesia and Australia, with the goal of eventually transforming the initiative into a regional maritime security confidence-building measure with Asia-wide participation;
- b. Institute biennial Indian-Australian foreign and defence ("2+2") ministerial consultations; and
- c. Maintain the schedule of regular Indian-Australian and annual Indonesian-Australian leaders' meetings, as well as the annual Indonesian-Australian foreign and defence ("2+2") ministerial consultations.

The arguments outlined in this submission to the *Defence White Paper 2015* respond to questions raised in pages nine to 11 and 16 to 19 of the *Defence Issues Paper 2014*.¹ These arguments will be explored further in a forthcoming series of Centre for Independent Studies publications proposing reforms to Australia's defence policies. The CIS and author hereby consent to the publication of this submission by the Department of Defence.

Recommendation 1: Deepen US-Australian military alliance

Australia should deepen its military alliance with the United States in response to the shifting centre of global military gravity towards Asia.

As the world's centre of economic gravity steadily moves east from the North Atlantic towards Asia, the global balance of military power is also rapidly shifting towards our region. Asia accounted for less than 15% of the world's total military spending in 1993, but its share had shot up to nearly 25% by 2013.² This represents an increase in Asia's military spending of nearly 140% over a 20 year period, during which global military spending overall increased by only roughly 50%.³ Although North America and Europe individually still spend more on their militaries than Asia, Asian military spending is likely to surpass North American and European military spending *combined* by 2050.⁴

With this massive increase in military spending in Asia-at-large, Asian nations will emerge as the biggest military spenders in the world during the planning period of the *Defence White Paper 2015*.⁵ Of the top five military spenders globally in 2050, the United States with its projected defence budget of nearly US\$900 billion will be the only non-Asian power.⁶ China is likely to spend more than US\$1 trillion on its military, with military spending in India, the Association of Southeast Asian Nations (ASEAN) bloc and Japan likely to approach US\$300 billion, US\$200 billion and US\$130 billion, respectively (see Figure 1).⁷

Figure 1: World's five largest military spenders, 2050*

	2010	2050	World rank in 2050
China	\$136	\$1,013	1
United States	\$720	\$891	2
India	\$49	\$286	3
ASEAN	\$31	\$196	4
Japan	\$59	\$129	5

Source: Various.⁸

Of course, the massive increases in military spending among Asian nations in the coming decades do not necessarily pose a threat to Australia's security. Future Asian military behemoths like India, Japan and Indonesia (ASEAN's most powerful member

* Military spending data for 2010 comes from the Stockholm International Peace Research Institute, except for Myanmar, which uses a 2012 figure from the Defence Intelligence Organisation. The 2050 military spending projections are calculated based on assumptions regarding military spending as a percentage of GDP. For further details of the 2050 military spending projections, see endnote eight. This world ranking counts European Union (EU) nations individually. All dollar values are US dollars.

state) largely share Australia's liberal democratic values and are content with the current liberal international order.⁹ Moreover, even authoritarian and territorially revisionist China is not directly involved in strategic disputes with Australia.¹⁰

Nevertheless, as Asian nations continue their military spending splurge, Canberra should work to deepen the US-Australian military alliance to offset Australia's growing strategic disadvantages vis-à-vis its giant Asian neighbours. With maritime and airborne trade essential for Australia's economic security, and sea and air denial capabilities necessary to protect Australia's northern approaches against would-be aggressors, Australia should host US naval and air force assets in Australia's north and west. In particular, the Australian government should work to:

- a. Establish a rotational presence of US naval vessels at HMAS Stirling (Perth), HMAS Coonawarra (Darwin), or HMAS Cairns;
- b. Establish a rotational presence of US air force aircraft at RAAF Base Pearce (Perth), RAAF Base Darwin, RAAF Base Tindal (Katherine), or RAAF Base Townsville; and
- c. Host US air force and/or naval assets at expanded facilities on the Cocos Islands and/or Christmas Island.¹¹

As well as assisting the US 'pivot' to Asia, such initiatives would improve security in the region more broadly.¹² Given that many of Asia's most volatile geo-strategic disputes play out in the maritime and air domains (e.g. South and East China seas disputes), US naval and air force assets stationed on Australia's northern and western littorals would help to stabilise the region in the event of security contingencies. Moreover, in light of China's rapid military resurgence, a ramped-up US security presence is essential for keeping Asia's balance of power in equilibrium.¹³

Recommendation 2: Strengthen security ties with India and Indonesia

Australia should strengthen its security ties with India and Indonesia to hedge against the risk of strategic overdependence on the United States.

The United States is a reliable alliance partner that has underwritten Australia's security for nearly 75 years. However, Asian nations are rapidly expanding their defence budgets, and US power is in relative decline globally and in Australia's neighbourhood in particular. Moreover, if rising isolationist sentiments or a worsening fiscal outlook further undermined Washington's security engagement in Asia, Canberra would find itself strategically overdependent on distant and waning US power. Although these scenarios are at present unlikely, Canberra should work to hedge against the risks they pose by strengthening its security ties with India and Indonesia.

As well as broadly sharing Australia's liberal democratic values and commitment to the liberal international order, India and Indonesia will emerge as two of Asia's most formidable powers during the planning period of the *Defence White Paper 2015*.¹⁴ India will be the most populous Asian nation by 2050, with Indonesia the third most populous, while India's and Indonesia's economies and military spending are likely to be placed second and fourth in Asia, respectively.¹⁵ This massive demographic, economic and military heft means India and Indonesia will play crucial roles in keeping Asia's emerging multipolar international system in balance.¹⁶

Australia already shares a strategic partnership with India and a comprehensive partnership with Indonesia.¹⁷ Canberra should build on these partnerships by strengthening its security ties with New Delhi and Jakarta. In particular, the Australian government should work to:

- a. Establish an annual tri-lateral naval exercise between India, Indonesia and Australia, with the goal of eventually transforming the initiative into a regional maritime security confidence-building measure with Asia-wide participation;
- b. Institute biennial Indian-Australian foreign and defence ("2+2") ministerial consultations; and
- c. Maintain the schedule of regular Indian-Australian and annual Indonesian-Australian leaders' meetings, as well as the annual Indonesian-Australian foreign and defence ("2+2") ministerial consultations.¹⁸

Australia should not enter into formal alliance commitments with India and Indonesia. India and (arguably also) Indonesia have territorial disputes with China, while India's relations with its nuclear-armed neighbour Pakistan remain tense. Given the real risks of an escalating territorial dispute between China and India and/or Indonesia, and nuclear war between India and Pakistan, Australia should be deeply wary of assuming binding security commitments towards these nations.

Australia should also obviously continue to strengthen its security ties with Asia's other great and middle powers, most notably China, Japan and South Korea. However, in the case of China, periodic hostility towards Australia's partners and friends in the region, combined with Beijing's rejection of key elements of the liberal international order, limit the scope for strengthening the Sino-Australian strategic partnership. Meanwhile, the rationale for strengthening Australia's security ties with Japan and South Korea is weak. Tokyo and Seoul are already indirectly strategically tied to Canberra via the US-led network of Asian alliances, and both capitals already conduct regular leaders' meetings and biennial foreign and defence ("2+2") ministerial consultations with Canberra.¹⁹

By contrast, India and Indonesia broadly share Australia's strategic interests and yet are comparatively strategically estranged from Australia because of, among other factors, their histories of non-alignment. Moreover, especially in the case of Indonesia and to a lesser degree in the case of India, geographical proximity to Australia and control of key shipping lanes provide further incentives to develop more intimate security ties.

Background: The Centre for Independent Studies

The Centre for Independent Studies (CIS) is Australasia's leading independent public policy think-tank. Founded in 1976, our work is informed by a commitment to the principles underpinning a free and open society:

- individual liberty and choice, including freedom of association, religion, speech and the right to property;
- an economy based on free markets;
- democratic government under the rule of law; and
- an autonomous and free civil society.

CIS research covers a wide range of social, economic and foreign policy issues affecting Australia and its region. With its funding derived from donations from individuals, companies and charitable trusts, as well as subscriptions and book sales, the CIS prides itself on being independent and non-partisan.

'Independent' in our name means:

- we are non-partisan;
- our research is not directed by our supporters; and
- we are financially independent of government.

Endnotes

¹ Department of Defence, *Defence Issues Paper 2014* (Canberra: Commonwealth of Australia, 2014), 9–11, 16–19.

² 'The SIPRI Military Expenditure Database,' milexdata.sipri.org.

³ As above.

⁴ Given that a nation's military spending can fluctuate wildly depending on a host of exogenous and endogenous factors—most notably the external security environment and domestic fiscal constraints—these macro projections of the scale of military spending in entire continents are of necessity highly speculative. Nevertheless, regional military spending trends to date and plausible trajectories of likely military spending in the most militarily powerful nations suggest that these projections are plausible. See 'The SIPRI Military Expenditure Database,' as above; Benjamin Herscovitch, *Preserving Peace as China Rises II: Preparing for a Post-American Asian Order*, Foreign Policy Analysis 10 (Sydney: The Centre for Independent Studies, 2014).

⁵ Department of Defence, *Defence Issues Paper 2014*, as above, 17.

⁶ Benjamin Herscovitch, *Preserving Peace as China Rises II*, as above, 7.

⁷ As above.

⁸ Karen Ward and Frederic Neumann, *Consumer in 2050: The Rise of the EM Middle Class* (London: HSBC Bank, 15 October 2012), 29–30; United Nations Statistics Division, 'Myanmar,' in *World Statistics Pocketbook* (New York: United Nations, 2013); 'The SIPRI Military Expenditure Database,' as above; Defence Intelligence Organisation (DIO), *Defence Economic Trends in the Asia Pacific: 2013* (Barton: Commonwealth of Australia, 2013), 17. The 2050 defence budget projections assume: China increases its military spending from approximately 2% of GDP to 4% of GDP as a result of heightened strategic tension in Asia and its growing international role as a resurgent great power; the United States keeps its military spending at the long-term average of approximately 4% of GDP as it continues to be a key provider of security for nations across the globe; India's military spending rises above its long-term average of approximately 2.8% of GDP to 3.5% of GDP due to heightened strategic tension in Asia and its growing international role as a resurgent great power; military spending rises among ASEAN member states from approximately 2.5% of GDP to 3% of GDP because of heightened strategic tension in Asia, particularly between key ASEAN member states and China over disputed territory; and Japan increases its military spending from approximately 1% of GDP to 2% of GDP as it progressively normalises its defence posture and responds to militarisation in Asia.

⁹ See, for example, Thomas Carothers et al., *Non-Western Roots of International Democracy Support* (Washington, D.C.: Carnegie Endowment for International Peace, 2014).

¹⁰ For a précis of China's territorial revisionism, see Benjamin Herscovitch, *Preserving Peace as China Rises I*, Foreign Policy Analysis 9 (Sydney: The Centre for Independent Studies, 2014), 4–6.

¹¹ For arguments for a similar set of initiatives to deepen the US-Australian military alliance, see Jim Thomas, Zack Cooper, and Iskander Rehman, *Gateway to the Indo-Pacific: Australian Defense Strategy and the Future of the Australia-U.S. Alliance* (Washington, D.C.: Center for Strategic and Budgetary Assessments, November 2013).

¹² Hillary Clinton, 'America's Pacific Century,' *Foreign Policy* (11 October 2011); Benjamin Herscovitch, *Preserving Peace as China Rises II*, as above, 6.

¹³ Benjamin Herscovitch, *Preserving Peace as China Rises II*, as above, 4.

¹⁴ Department of Defence, *Defence Issues Paper 2014*, as above, 17.

¹⁵ United Nations Department of Economic and Social Affairs, *World Population Prospects: The 2012 Revision* (New York: United Nations, 2013), 15; PricewaterhouseCoopers, *World in 2050: The BRICs and beyond: prospects, challenges and opportunities* (January 2013), 2.

¹⁶ Benjamin Herscovitch, *Preserving Peace as China Rises II*, as above, 6–9.

¹⁷ See, for example, 'Joint Communiqué - The President of the Republic of Indonesia and the Prime Minister of Australia, Jakarta,' www.pm.gov.au/media/2013-09-30/joint-communicu-president-republic-indonesia-and-prime-minister-australia-jakarta; 'Joint Statement with Prime Minister Modi, New Delhi, India,' www.pm.gov.au/media/2014-09-05/joint-statement-prime-minister-modi-new-delhi-india.

¹⁸ For arguments for a similar set of initiatives to strengthen Australian-Indian ties, see Rory Medcalf, *Problems to Partnership: A Plan for Australia-India Strategic Ties* (Sydney: Lowy Institute for International Policy, November 2009).

¹⁹ See, for example, '5th Japan-Australia 2+2 Foreign and Defence Ministerial Consultations,' http://www.foreignminister.gov.au/releases/Pages/2014/jb_mr_140612a.aspx?ministerid=4; 'Australia – Republic of Korea Foreign and Defence Ministers (2+2) Meeting,' foreignminister.gov.au/releases/2013/bc_mr_130705a.html.