



**Speech**  
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**Australia's Global Security and Defence Challenges**

**The Hon Kevin Andrews MP**

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I am delighted to return to the Heritage Foundation, and to participate in this important policy discussion about defence and security, particularly in the Indo-Pacific region.

I come as a warm friend of the American people. We share a decades-long Alliance, and the men and women of our defence forces have stood side-by-side in the most significant battles for human dignity and liberty of the past century.

In *The Federalist* No 3, John Jay wrote: "Among the many objects to which a wise and free people find it to direct their attention, that of providing for their safety seems to be the first."

The primary duty of a nation state is the security of its people. This was one of the reasons that Jay used to argue for a United America. Indeed, the causes of war amongst the States are the focus of much attention by Jay, Hamilton and Madison in many of the *Federalist* Papers.

Those events had a parallel in my country, for it was concerns about the defence of the then British colonies that helped precipitate the movement towards federation and the establishment of the Commonwealth of Australia in 1901. The colonies were concerned about the activities of the Germans, the French, the Russians – and dare I say it, even the Americans – in the Asia-Pacific region at the time.

It is the future strategic challenges of that region to which I address my remarks today.

**Australia's strategic interests**

Australia's economic prosperity is intricately tied to the security of the Indo Pacific region. Over time, the term 'Asia-Pacific' had come to symbolise the main focus of Australia's strategic interests and economic priorities.

But in more recent years we have come to realise that we must consider our region in the context of the vast pace of globalisation, as well as the mutual dependencies that exist between it and the rest of the world.

The region's continued economic growth is the basis for the rise in the global strategic weight of many Asia-Pacific countries.

The bedrock of this growth is freedom of navigation and trade along the energy and trade corridors through both the Indian and Pacific Oceans.

These corridors link the Middle East through to North and South East Asia, and the United States. Security of supply right across this corridor, which relies on continued regional stability, will be vital.

That's why we now refer to the 'Indo-Pacific' region, by which we mean the maritime and littoral regions that span the Indian and Pacific Oceans.

The shift of power to the Indo-Pacific is leading to increased growth, wealth and prosperity among regional states.

By 2030, the Indo-Pacific region is expected to account for 21 of the top 25 sea and air trade routes; around two-thirds of global oil shipments, and one-third of the world's bulk cargo movements.

By 2050, almost half of the world's economic output is expected to come from the Indo Pacific, and this region will be home to four of the world's top ten economies.

Some predict that India, China, Indonesia and Japan will be in the top five economies in the world, along with the US.

Australia's top five trade partners are all in the Indo-Pacific, and approximately 98% of our international trade by volume travels by sea – and more than half of that through the South China Sea.

These stark facts must be the basis of our strategic outlook for the next 20 years, and the foundation of our defence policy.

The focus of Australia's defence strategy cannot be confined to our territory and borders; nor can we have a global presence.

Our national interests lie in a 'regional-plus' approach; one that focuses on secure trade routes, a stable Indo-Pacific, and a rules-based order.

This means deterring attacks on Australia, supporting the maritime security of the region, and, where necessary, co-operating in operations further afield if our strategic interests are threatened. Underlying tensions amongst regional states are likely to remain in the near-term strategic environment.

But the shared dependence of most Asian countries upon the Indo-Pacific region's maritime corridors, combined with the inability of any state to unilaterally secure its shipments, should be a powerful incentive to manage conflicting interests and ensure freedom of navigation and trade for all.

The imperative to use peaceful means to resolve regional disputes is particularly salient in light of regional military modernisation. Across the Indo-Pacific, states are modernising their forces in line with their growing economic prosperity.

In the decades ahead, many regional states will grow more powerful militarily as they acquire more capable and technologically advanced platforms.

Military modernisation is a natural part of any state's development. In fact, it can be seen as a positive development, as modernising states are more able to manage security challenges they face.

It also represents a great opportunity for Australia to work with more capable partners, in support of shared interests in regional security and stability.

However, this cannot be guaranteed. For this reason, Australia must ensure the Australian Defence Force has the types of forces to meet our strategic objectives in the Indo-Pacific region.

We must also strengthen our strategic partnerships with nations in our region, and further afield, such as the US.

We already have important trilateral exercises with Japan and the US. American marines now regularly deploy to northern Australia, and increasingly, other US forces are visiting Australia. Singapore uses Australia for much of its defence training.

And we are in the process of getting the military relationship with India back on track after the previous Labor government snubbed the Sub-Continent.

### **Australia's strategic challenges**

Australia faces a series of strategic challenges over the next two decades.

These include the interactions of the great powers – the US, China and Russia in particular; the diffusion of Islamist terrorism in our region; the continuing conflict in the Middle East, including Afghanistan; the unpredictability of North Korea; and the risk of a failed nation state in our region.

While an attack on Australian territory is most unlikely in the foreseeable future, the military forces of many countries in the Indo Pacific are being significantly modernised and expanded. Historically, as nations prosper, they upgrade and improve their defence forces.

In 20 years' time, for example, it is estimated that half the world's submarines will operate in the Indo Pacific.

Cyber, surveillance and ballistic missile systems are being developed rapidly.

In addition to modernising our standard military resources such as ships and planes, Australia must keep apace of these developments if we are to retain our military edge in the future.

Let me address some of the challenges we face, before making some observations about our response. While this paper will focus on the major dynamic in the Indo-Pacific in the coming decades, I wish to mention briefly the impact of the events in the Middle East.

## **Islamist terrorism**

The spread of Islamist terrorism to the Indo-Pacific remains the most significant immediate threat to regional security.

The recent attacks in Jakarta, following previous assaults in Bali, and incidents in Australia, point to a challenging future.

The confluence of the release from Indonesian jails of many JI adherents in the coming year, the return of foreign fighters from the Middle East to the region, the declaration of an offshoot of the caliphate by forces in the Southern Philippines and elsewhere in South East Asia, points to what Prime Minister Lee of Singapore identified last year as an emerging hazard.

It is a view shared by defence ministers throughout the region, and heightened by more recent events.

While security and intelligence services, including in Australia, have been proficient, the task of detecting and preventing every planned attack is impossible.

Good luck, as well as good intelligence gathering, has been important in the task to date. But we are also witnessing the increase in smaller, previously unknown groups and self-radicalised individuals, making the task of our security agencies even more difficult.

These developments have led to greater regional co-operation in our region. They also reinforce the imperative of defeating the terror at its source, especially in the Middle East.

Australia has understood historically that the spread of Islamist terrorism is a global threat. That is why we committed to the US-led Coalition in Iraq with the second largest military presence after the US, operating airstrikes, refuelling and command and control activities in the air, as well as the training of Iraqi forces, mainly at Taji.

However, it is effectiveness, not numbers that ultimately counts in this war.

The notion that ISIL is weak and contained and the assault upon it is proceeding well is misplaced. Some territory has been regained, but the tentacles of ISIL and related groups continue to spread elsewhere.

That is why America's acceptance of the advice of its military commanders that more had to be done to win the war and to expand the coalition involvement is significant.

As you know, US Defence Secretary Ash Carter told Congress in December that Special Forces would be utilized in direct action against ISIL in both Iraq and Syria.

"This is an important capability because it takes advantage of what we're good at," Secretary Carter said during testimony before the House Armed Services Committee.

Its goals will include freeing hostages and capturing leaders of ISIL.

Military chiefs urging the expanded response also knew that elite, agile Special Forces would assist in better identifying targets for airstrikes, whether by crewed or drone aircraft.

While the coalition pursued its then approach, Ramadi fell to ISIL, proof that the enemy was stronger than generally considered. Yes, Ramadi was reclaimed by the Iraqis, but it should never have fallen in the first place. While it remained under the black ISIL flag, it was a daily reminder of the ineffectiveness of the then strategy.

For a long time, the only real success in Iraq was by the Kurds in the north, who rather than flee, stood and effectively fought their enemy. Other success was largely by the Iranian-backed militia forces, which have little sway in the Sunni regions to the west of the country.

Taking back Ramadi pales into insignificance the task of defeating ISIL in their strongholds of Raqqa in Syria, and Mosel in Iraq. In both cities, ISIL is embedded into the local population, making airstrikes more problematic.

The new strategy that Secretary Carter announced in December recognizes the limitations of the earlier approach.

It also reflects the successful strategy that General Stanley McChrystal executed in Iraq a decade ago. Under his Joint Special Operations Command, the identification of high value targets was pivotal in the success of the campaign.

The US has now recognized that Advise and Assist and Building Partner Capacity activities to train the Iraqis are insufficient to defeat ISIL. It has conceded that Special Forces and related personnel can play a much more important role fighting ISIL, not just training the Iraqi army.

As part of the coalition against ISIL, we should welcome this new strategy and assist in its execution.

Let me turn to developments closer to Australia, in particular relations with China.

## **China**

The relationship between the United States and China will be the defining issue in the Indo Pacific in the next two decades.

Many factors, including the relative strength of the two economies, changing demographic patterns over the longer term, and the interaction of each nation with other countries and any disputes that might arise, will affect the relationship.

The US does not face an existential threat currently, as it did in the Second World War and the subsequent Cold War.

Its economy is improving, while China's is slowing.

China faces many challenges. It has a goal to double its 2010 GDP and per capita income of urban and rural residents by 2020 and bring about a moderately prosperous society for its billion-plus people.

It is a populous country with a weak economic foundation and uneven development.

While the aggregate GDP is large, it is only about 90th in the world on a per capital basis. Over 120 million people are living below the UN poverty line.

“Unbalanced, uncoordinated and unsustainable development remains a big problem,” said President Xi Jinping in 2013. “The development gap between urban and rural regions is still large, and so are income disparities. Social problems are markedly on the rise.”

China also faces a challenging demographic future. While it shares an ageing population with many nations, it runs the risk of growing old before lifting millions of people out of poverty.

For the past two years, the number of working-age Chinese has fallen by 6.5 million. While this is a small proportion of a working age population of some 911 million, it points to the compounding challenges facing the country.

It is against this background that events in the China Sea are playing out.

In his book, *The Governance of China*, President Xi Jinping urged peaceful co-existence, non-aggression and mutual respect for each other’s territory, integrity and sovereignty.

These ‘Principles of Peaceful Co-existence’ must be read in the context of China’s concept of sovereignty.

While Xi Jinping has stated that “China always pursues a defence policy that is defensive in nature, not engaging in any arms race or posing a military threat to any country,” China also maintains that most of the East and South China Seas are its sovereign territory, and therefore within the management and rights of China.

Laying claim to territory within the so-called nine dash line, the Chinese President has also warned that “no country should expect China to swallow any bitter fruit that undermines its sovereignty, security or development interests.”

Events bear out an assertive Chinese approach: the construction of militarily- capable facilities on large artificial islands in the South China Sea, the challenges to craft from other nations in the area, and the increasing presence of Chinese Coast Guard and other vessels in both the East and South China Seas.

The most recent Chinese Defence White Paper highlighted the role of the PLAN – the PLA Navy – for the first time.

The Chinese reaction to the decision by the US to sail the destroyers, the USS Lassen and the USS Curtis Wilbur, through the Spratly and Paracel Islands was predictable.

The Chinese government habitually protests at any perceived threat to their strategic interests.

However, the Chinese leadership has shown less stridency over the past year. Their approach to the region at last year’s annual Shangri-La Dialogue, for example, was diplomatic.

In part, this reflects the fact that the PRC has largely achieved its objectives in the South China Sea, with the transformation of various reefs and outcrops into installations capable of military deployment, including runways, hangers, and docking capability.

President Xi Jinping surprised observers when he announced at a press conference at the White House in September 2015 that “China does not intend to pursue militarization” of the islands.

By this, we have to assume he means no further militarization, as imagery appears to show substantial infrastructure on at least one artificial island, together with large coast guard vessels using a dock. The runway is suitable for military aircraft.

China has been steadily expanding its navy, as highlighted in its Defence White Paper this year. It also has a sizeable Coast Guard equipped with naval-size vessels.

While the artificial Island facilities would be vulnerable to attack in any conflict, they do highlight China's claim to the sovereignty of the South China Sea, a cause disputed by neighbouring nations.

President Xi also said in Washington that China is "committed to respecting and upholding the freedom of navigation and overflight that countries enjoy according to international law", a formula used by both other countries, including the US and Australia.

In a series of earlier speeches, the Chinese leader has repeated his call for peaceful resolution of issues while maintaining China's claim to the region.

Two issues will test the Chinese rhetoric. First, the claim by the Philippines to disputed areas of the South China Sea in the International tribunal. China is not a party to the Treaty, so its response will be notable.

In addition, China has been tardy in responding to the proposal by ASEAN nations to settle a Code of Conduct for the South China Sea. If it has no desire for further militarisation of the Spratley and other islands, and respects the freedom of international passage, it could be expected to conclude the negotiations with ASEAN.

The American decision to send naval vessels into the area had been telegraphed well in advance.

The Pacific Fleet commander, Admiral Harry Harris, protested last year about "the great sand wall of China", and some Defence leaders had been urging more decisive action for months. Admiral Harris repeated his insistence on freedom of navigation in a speech in Beijing.

Hence the response was after considerable delay and with significant caution. Two US destroyers are hardly a threat to China!

The reality is not that deterrence has failed: it has hardly been tried.

In Australia's case, we have been conducting 'Gateway' surveillance flights over the South China Sea for more than 30 years, and Royal Australian Navy ships periodically transit the South China Sea.

These regular flights under the Five Powers and other arrangements should continue. We should also continue regular transit of the South China Sea by our naval vessels.

There are two broad Western views of Chinese intentions. The first is that the goal of "building a moderately prosperous society" cannot be achieved by China in isolation.

The opening up of the market (with 'socialist characteristics') and the pursuit of Free Trade arrangements, require unimpeded trade.

This view posits that the future of the Communist Party is dependent largely on continuing economic development.

Provoking a military conflict when it is contrary to China's long term economic and strategic interests would be counter-productive.

The main risk from China is not the threat of war. It is that China's coercive economic and military power will diminish the ability of other nations, including Australia, to make decisions in their national interest. The Chinese take a long-term approach.

Consider events in the East China Sea which mostly have gone unreported in the western media. In November last year one of China's Coast Guard vessels that regularly travel into the territorial waters claimed by Japan appeared to be armed with canons.

According to *Jane's*, it was one vessel, a Jiangwei 1-class PLAN frigate painted as a Coast Guard vessel and transferred to the Chinese Coast Guard. Little was said at the time, but the problem now is that suspicion that China is arming its Coast Guard, whether true or not, and other nations are likely to respond in kind, by patrolling these waters with armed naval vessels.

Some observers dismiss ulterior motives by China, observing that China needs seaborne coal, oil, and iron ore to function. So why allow the PLAN to endanger the sea lanes? Moreover, China's overseas investments and assets are imperilled by military overreach.

Does this analysis fully apprehend Chinese aspirations? President Xi Jinping regularly speaks of the restoration of the Chinese dream and the rejuvenation of the nation to its dynastic glory. The construction of the new Silk Road and the expansion of the economy are central objectives.

Yet many have observed that China under Xi Jinping appears to have become more repressive internally, prepared to flout the rules externally, and more nationalistic in tone.

There are indications that China seeks regional maritime supremacy. Its navy fleet is now the largest in Asia. It is rapidly expanding its submarine force. It has the largest air force in the region and is developing advanced fifth-generation fighters. It is also developing its enabling capacity, including space and cyber technology.

It is also expansionary in outlook. During last November's ASEAN Leaders Summit held in Kuala Lumpur Chinese Premier LI Keqiang took time to visit the coast of the Straits of Malacca where he remarked on China's long connection with this place, citing the Ming Era admiral Deng He as an example.

The strategy is also clearly aimed at economic prosperity without which the Communist Party would face uncertain challenges. Hence an energy pipeline under construction in Myanmar and a canal proposed for southern Thailand – both having the effect of avoiding the Straits of Malacca.

President Xi Jinping has urged his countrymen and women to “carry on the enduring spirit of Mao Zedong thought.”

During the war with Japan in the 1930s, Mao Zedong posited a theory of a three-stage war of endurance whereby a weaker party can overcome a stronger party.



There are reflections of this theory in the current activities in the region. First, defend strategically. Second, establish bases where the opponent or competitor is weakest. Third, turn to counter-attack.

Appreciating the role of the PLAN in China's strategy is therefore critical. As Sun Tzu wrote in *The Art of War*: "If you know the enemy and know yourself, you need not fear the result of a hundred battles. If you know yourself but not the enemy, for every victory gained you will also suffer a defeat. If you know neither the enemy nor yourself, you will succumb in every battle."

Understanding what motivates the Chinese leadership is a critical pursuit for the U.S. and its allies.

As the China-United States relationship will be a particularly important dynamic in shaping the region, it is a key consideration for Australian planning and policy-making. In any consideration of security policy, it is critical that we do not substitute a careful, calculated analysis of the motives and aspirations of other nations with our own wishful thinking.

It is true that both China and the United States have a clear interest in preserving regional stability and security, not least because of their close economic integration.

Such integration is not only increasing between major powers. The shift of strategic weight to the Indo-Pacific is driving economic, energy and trade interdependence across the region, as states' economic wellbeing and prosperity increasingly depend on free and open trade.

Greater interdependence between states is encouraging, as it reduces the likelihood of destabilising actions or conflicts. Hence trading agreements and the dialogue between senior defence leaders is an important development. But interdependence will not remove these risks altogether. Historical antipathies in the region remain potent, and, in some instances, are growing.

As major and emerging powers seek to advance their own interests, they will cooperate in some areas, but compete in others. We must remain vigilant about what could go wrong and be prepared for unintended consequences.

Australia shares a close and valuable trading relationship with China, but this should not come at the expense of defence preparedness. To the contrary, a potent defence force is an important aspect of maintaining peace as a vital underpinning for global trade.

Tensions in the Indo-Pacific persist, and in some cases are becoming more acute. Territorial disputes continue to risk regional stability and create uncertainty.

The imperative to use peaceful means to resolve regional disputes is particularly salient in light of regional military modernisation.

Accelerating military modernisation has the potential to increase strategic competition as states seek military advantages over their neighbours.

When tensions are high, the risks of miscalculation resulting in conflict are very real.

As with Newton's principles, aspects of international security are often characterised by an action and a corresponding counter-reaction. While this doesn't always amount to a zero-sum equation, dealings between states in the region are an inherently competitive process.

Australia's task in the region is to help to manage the emerging tensions by strengthening our Defence Forces, insisting on compliance with International norms, encouraging mediation and the peaceful resolution of issues, opposing aggression, and actively maintaining freedom of trade and navigation.

Let me turn then to our response.

### **Responding to the challenges**

The defence of Australia rests on a critical compact between the government representing the citizens and the Australian Defence Force.

This compact ensures a proper alignment of our national interests and aspirations, the resources necessary to meet those objectives, and the essential funding.

When the Conservative government came to office in 2013, it found that expenditure on defence had fallen to the lowest level as a percentage of GDP since 1938. For years, billions of dollars of expenditure on critical resources and equipment were postponed or cancelled. The compact had been broken.

As this was happening at a time when the Australian Defence Force's operational tempo was high, our defence capabilities were increasingly in jeopardy.

Military equipment and infrastructure was ageing. Increasingly critical enabling capabilities, including intelligence, surveillance and reconnaissance systems, and the communications technology that enables the Navy, Army and Airforce to operate as an integrated defence force had been neglected.

These enablers are essential if Australia is to maintain its military edge in the region.

New complex challenges will emerge over the next two decades.

We need a defence force that will be more potent, agile, active and engaged to meet these challenges. This involves addressing the underinvestment and delays to ensure we do not face a capability gap.

For this reason, as previously announced, the National Security Committee agreed on the capability priorities for the next two decades, including a fully costed, private sector assurance, of future funding.

A ten year funding schedule – in effect Forward Estimates of funding for the next decade – was also agreed last year to ensure funding certainty for Defence. It was also decided to increase expenditure to over two per cent of GDP by 2022-23, as I announced to the American Chamber of Commerce in Canberra last August.

A key element of our defence is the replacement of the Australian naval fleet over the next 20 years, including new submarines, frigates and offshore patrol vessels.

Much of our fleet is ageing, and decisions have already had to be taken to keep some ships in service beyond their proposed life to minimise capability gaps in the 2020s.

For this reason, the government established a Competitive Evaluation Process for the next generation of submarines, and brought forward the build of the replacement frigates and offshore patrol vessels.

The reality however, is that no nation alone will be able to preserve international security and peace. That is why our alliance with the US under the ANZUS Treaty is critical. The US rebalance under President Obama to the region is a significant component. The increasing marine, aircraft and naval rotations play a substantial role.

The US has played a critical part in seeking to maintain peace, order and security in the world for many decades. This has been significant, because geo-politics, like nature, abhors a vacuum. History is replete with examples of other nations exploiting perceived timidity and weakness. Security and peace for many people and nations on this Earth will continue to depend on the US persisting with this role into the future.

Over the past two years, the Australian government reached out to important nations in the region, including Japan, Singapore and India.

During Prime Minister Modi's 2014 visit to Australia, a whole-of-government Framework for Security Co-operation was formalised. This has led to increased dialogue, co-operation and exercises between the two countries. Australia is hopeful that it will be invited to participate in the Quadrilateral Exercises involving the US in the future.

Strengthening our regional partnerships with nations like Japan, Singapore and India will be a vital component of the future security of the Indo-Pacific.

We have also sought to strengthen our co-operation with other nations, including Indonesia and Malaysia, amongst others. The Pacific Maritime Security Programme is also a key partnership with many Pacific Island countries.

## **Conclusion**

Our first task as policy makers, as the founders of both the United States of America and the Commonwealth of Australia understood, is the security of the nation and the safety of its people.

That task remains critical today. How we respond to the defence and security challenges of the coming years will shape the future of both our nations for the next century.

Ends.