



AUSTRALIA'S STRATEGIC ENVIRONMENT

At present Australia does not face any conventional military threat to our territory nor, on current trends, is this likely in the foreseeable future. But we cannot be complacent. Defence must plan for a full range of possibilities even if they seem remote right now. There are also serious security challenges in our nearer region that require Australian military power to help build stability today. Our national interests as a democratic, trading and globally engaged country are threatened by the rise of terrorism and by instability in areas such as the Middle East. In a globalised world, ignoring problems further afield only invites these threats to come closer to Australia. While we all benefit from globalisation, a more integrated world and ongoing technological and demographic change magnifies the range and number of potential threats and the strategic effect of events, including some distant ones, on Australia's security.

THE STRATEGIC FRAMEWORK

The Defence 2000 White Paper highlighted two basic factors that shape Australia's defence outlook and will continue to do so for years to come. They are the continuing predominance of the United States, which acts as a stabilising force in the Asia-Pacific, and secondly, the security impact of globalisation. Subsequent Defence Updates identified terrorism, the proliferation of WMD and the risks arising from fragile states as being immediate threats to Australian interests. Combined, these factors created a more complex strategic environment for Australia. Since the East Timor crisis in 1999, we have frequently had to use the ADF as well as engage other elements of national capability, such as the police and other agencies, and implement economic and diplomatic measures, in the pursuit of our strategic interests.

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ONLY INVITE THESE THREATS TO COME CLOSER TO AUSTRALIA.

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GLOBALISATION AND ITS SECURITY CONSEQUENCES

Globalisation has provided many community, social and economic benefits to Australia and other countries. Australia has gained economic growth, new export markets, and new immigrants to Australia with their skills and ideas as consequences of globalisation. Australians today are more connected with the wider world than at any other time in our history, but the negative side of globalisation is that this connectedness brings potential security threats closer to us. Globalisation speeds up the impact and significance of existing and new threats, shortening response times, and increasing uncertainty. People, money, and ideas now move faster around the world, not always for the good. While globalisation offers significant opportunities, it also can help the spread of extremist terrorism and diseases such as avian influenza.

These changes are reshaping our security environment. Some major global powers have declining fertility rates, which puts pressure on labour force numbers, resources and budgets. In much of the developing world, rapid population growth is producing youth bulges, but their economies struggle to create sufficient jobs to enable these young people to make a productive living. In much of the developing world, too, there is a massive relocation of rural people into large cities which lack adequate infrastructure and opportunities for their growing populations. In some parts of the world this situation is contributing to a rise in support for extremist ideologies. As urbanisation increases, so too does the risk of health pandemics, a potential source of great harm to Australia.

Natural events – such as the 2004 Boxing Day tsunami or severe cyclones in the Pacific – can cause food, water and resource shortages. Such disruption may result in calls for Australian military intervention and humanitarian relief. In our region Australia can expect that we will often be called upon to help in these circumstances.

TERRORISM

Violent extremist terrorism will remain a threat around the world for at least a generation, and probably longer. This war is very different from those we have fought in the past. Terrorism ignores borders and has no frontlines. It has no capital that can be captured, nor government structure that can be compelled to surrender. It often sets out to attack civilians, and it increasingly uses the openness of our societies against us.

No terror group has the power to invade or take territory from Australia. But that does not mean we can afford to ignore groups such as al Qaeda or Jemaah Islamiyah (JI). Terrorists threaten our national interests, including the safety of Australian citizens, businesses and Australian government activities abroad. Terrorism can have a strategic effect. A particularly severe threat would arise if terrorists were to obtain WMD. It will take a sustained effort over many years to overcome the dangers posed by terrorists. Military operations against terrorism are only part of the story. We must undercut support for terrorism by promoting stable, democratic societies, including in those countries where organisations like the Taliban once flourished.



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FRAGILE STATES

Fragile states are especially vulnerable to the damaging effects of transnational crime and insurgencies. Such states can potentially become havens for criminals and terrorists who want to operate without being harassed by governments. In our immediate region, the cost of dealing with fragile states includes expensive military and police deployments and aid programmes designed to strengthen the ability of fragile states to run their own affairs. Our aim is to help build strong, cohesive, democratic states, because these are best placed to meet their citizens' needs and contribute to a stable neighbourhood.

In our region some vulnerable states are struggling to deliver basic services to their citizens because they lack the economic capacity, and because government systems are weak and often corrupt. These are not easily solvable problems. Many weak states wait until disaster strikes before seeking assistance, most often in some form of military support.

The ripple effects of fragile states on security can reach around the world. The proximity of weak states in our region means that Australia must take their vulnerabilities seriously and work with governments and others to offer help. Building and restoring nations can take many years and will cost many millions of dollars to help overcome economic and security weaknesses, pay for our ADF operations, and provide policing and assistance to improve the quality of government. But these costs will be far less than attempting to reconstruct small states that have been shattered by conflict because we failed to intervene at an earlier stage.

WMD PROLIFERATION

Unlike the Cold War, when the danger of nuclear warfare between the superpowers was a realistic concern, the primary worry about WMD technology today is the proliferation of such weapons by countries like North Korea and Iran and to so-called 'non-state' groups, such as al Qaeda. Australia criticised North Korea's nuclear test last year. Not only did

it raise tension in a strategically vital part of the world, but it has made the challenge of non-proliferation and counter-proliferation more urgent.

As we noted in the 2003 Update, WMD are the ultimate asymmetric threat. We know that terrorist groups, al Qaeda among them, are interested in buying or developing rudimentary WMD. Increasingly we see that military capabilities which were once available only to states are being used by terror groups and other non-state actors. Nowhere is this more worrying than when it might involve WMD. Non-state groups, particularly extremist, decentralised, cellular networks, are unlikely to be deterred from using such weapons by the threat of retaliation. So Australia has an over-riding interest to prevent the spread of WMD by backing arms control agreements and applying active counter-measures with our allies – such as the Proliferation Security Initiative (PSI) – where proliferation is discovered.

THE USE OF FORCE IN THE 21ST CENTURY

Al Qaeda's attacks in the United States on 11 September 2001 brought home the changing nature of how force can be used to bring about political goals. The attacks on the World Trade Centre and the Pentagon were unconventional warfare at its most violent and indiscriminate worst.

On the conventional military battlefield a force like the ADF is easily superior in fire-power to non-state opponents. We are continuing to improve the lethality and precision of our forces. Yet we are constrained in ways non-state groups are not. Terrorist organisations like al Qaeda have no concern about targeting innocent civilians or about hiding their forces

within the civilian population. The rapidly reducing costs of technology allow these groups to use technology as a force multiplier and to expand their reach. For example, the clever use of communications technology is helping terrorist groups to expand their support base and to spread propaganda among their opponents. The increased capability of terrorists and insurgents against a well-armed nation was illustrated during the Israel-Hezbollah conflict in 2006. The use of both civilian and conventional military capabilities by these groups in often innovative and non-conventional ways is particularly worrying.

The ADF will always need to retain a qualitative edge in its conventional military capabilities – a substantial challenge in itself. But military forces are increasingly expected to perform a variety of roles quite different from fighting other armed forces. These can include stabilisation activities similar to those we are undertaking in East Timor and Solomon Islands, peacekeeping and peacemaking, and general security operations like those the ADF provided during the 2006 Commonwealth Games in Melbourne.

The ADF increasingly will be called on to fight irregular opponents and must therefore be able to mount counter-terrorism and counter-insurgency operations, including hostage rescue tasks. Humanitarian relief missions are also taking on a higher priority. More generally, non-conventional and humanitarian missions will engage more military resources, time and effort. A credible and capable military remains a crucial complement to what some call 'soft power': diplomacy, aid, cultural ties, people-to-people contacts, trade, and institution building.

These developments have added a new dimension to the roles and responsibilities of the ADF. But we must also remain alert to more conventional military dangers. Because of the major power dynamics in our region and the existence of critical flashpoints, there is always the possibility of strategic miscalculation that could lead to conflict. Australia needs to watch these risks closely, because conventional conflict in the Asia-Pacific would almost certainly engage our national interests, and may do so with little warning.

Closer to home in Southeast Asia, the capabilities of military forces are increasing as states modernise their equipment and improve training. We expect that the focus of regional countries will continue to be on using their military forces to build national cohesion and domestic security. Our aim is

to work with our friends and neighbours to promote regional security. One way we do this is by co-operating with the defence forces of many Southeast Asian states. Strong, stable military forces in our region that work together will enhance rather than weaken our security.

REGIONAL IMPACTS

TERRITORIAL THREATS

As in 2000, Australia does not face any direct threat to its territory. But although a conventional attack on Australia seems very remote, we must be able to defend ourselves and to be seen by friends and neighbours alike as taking this responsibility seriously. We can hardly expect allies to help us if we don't provide for our own security. The defence of Australia therefore remains



THE ADF INCREASINGLY WILL BE CALLED ON TO FIGHT IRREGULAR OPPONENTS...BUT WE MUST ALSO REMAIN ALERT TO MORE CONVENTIONAL MILITARY DANGERS.

a fundamental task. While our physical geography and maritime approaches give us a natural strategic depth, we are faced with much more immediate security challenges, including non-traditional threats that won't be deterred by our geography. These include extremist terrorists, backed by global networks of supporters; spill-over effects from weak and failed states; WMD proliferation; and potentially, the consequences of health pandemics.

many South Pacific states, weak governance, crime and social instability are a real threat to economic development. Papua New Guinea's (PNG) problems are compounded by its relatively large size – around 5.9 million people growing at around 2.7 per cent a year. Major efforts are needed to improve and rebuild infrastructure, law and order, education and health care if the PNG government is to meet the challenges of fast population growth, youth unemployment, and criminality, including raskol gangs. East



**WE DO NOT BELIEVE THAT ANY REGIONAL POWER IS EAGER TO SEE
FUNDAMENTAL GEO-STRATEGIC CHANGE...BUT THERE IS ALWAYS A
POSSIBILITY OF STRATEGIC MISCALCULATION.**

THE SOUTH PACIFIC AND EAST TIMOR

Many of the South Pacific island states and East Timor continue to be scarred by political, social and economic instability. For

Timor faces similar economic growth and population problems. One of the world's newest independent states, it must build the habits and practice of a sovereign nation while facing a significant task of reconciliation and reconstruction. Fiji's fourth coup in 20 years

has overturned parliamentary democracy, set back the country's economic prospects and heightened perceptions of increased instability in the region.

Australia is linked to the region by our history as well as geography, and we have a lasting commitment to help build stability and prosperity. There is no easy solution: some of these states lack the basics of sustainable economic, institutional and infrastructure development, and their limited budgets and porous borders make them potentially vulnerable to adverse influences. Australia will commit resources, including those of the ADF, and work co-operatively with our neighbours to overcome these problems.

THE BROADER ASIA-PACIFIC

Australia's future strategic landscape will be shaped by how the world's major powers – the United States, Japan and China in particular – deal with each other in the Asia-Pacific. Thus far the prospects are good. The Asia-Pacific has benefited from a status quo where the United States has been the predominant military power for over 50 years. This has underpinned the region's remarkable economic growth for decades. We do not believe that any regional power is eager to see fundamental geo-strategic change. Still, as China and India grow, and the United States re-balances its global commitments, power relations will change, and as this happens there is always a possibility of strategic miscalculation.

The **United States** will remain the dominant global economic, technological and military power at least for some decades. The 2000

White Paper recognised that US primacy was a foundation of the Asia-Pacific's stability, and that remains the case now. Through its military presence in the region and its bilateral and alliance relationships with key players, the United States will remain the major shaper of international security, including in the Asia-Pacific, as the United States adapts and modernises its military posture.

Australia has no closer nor more valuable partner in the region than Japan. **Japan's** more active security posture within the US alliance and multinational coalitions is in keeping with its economic and diplomatic weight and has long been supported by Australia. In that role Japan has made valuable contributions to operations in East Timor and Iraq, and Australia welcomes its efforts to contribute more directly to regional and global stability. Japan's alliance relationship with the United States has been one of the stabilising features of post-World War II Asia, and will continue to play an important role. Trilateral cooperation between Australia, Japan and the United States will be increasingly important in this context. The Australia-Japan Joint Declaration on Security Cooperation marks an important milestone in the bilateral security relationship.

China's emergence as a major market and driver of economic activity both regionally and globally has benefited the expansion of economic growth in the Asia-Pacific and globally. But the pace and scope of its military modernisation, particularly the development of new and disruptive capabilities such as the anti-satellite (ASAT) missile (tested in January 2007), could create misunderstandings and instability in the region.

THE US-CHINA RELATIONSHIP IS CRUCIAL
TO ASIA-PACIFIC SECURITY.

WE REMAIN COMMITTED TO THE TERRITORIAL INTEGRITY OF INDONESIA.

China has a legitimate interest in protecting its own security. It has tremendous opportunities to exert its claim as a responsible stakeholder in regional security. China is the nation with the greatest influence over North Korea, and we strongly encourage China's efforts to moderate North Korea's behaviour. Taiwan remains a source of potential strategic miscalculation and were that to happen it could have disastrous consequences for the region, and for global security. All parties should strive for a peaceful approach to the issue of Taiwan. Australia continues to support the status quo and the 'One China' policy as the basis of our approach to the issue.

The US–China relationship is crucial to Asia–Pacific security. Both countries are increasingly dependent on each other for trade and financial and economic prosperity. But while economic cooperation is high, there is also an element of strategic competition. The relationship must be managed carefully for the good of the entire region. China's relationship with Japan is also a complex mix of economic, security and political factors. As Japan increases its security role Beijing and Tokyo will have to work their way carefully through a changing strategic environment.

The **Korean Peninsula** lies at a strategic crossroads. Its geography makes it vitally important to China, Japan and Russia, and South Korea is an important ally of the United States. Australia strongly condemned North Korea's nuclear weapons test on 9 October 2006. The test has heightened tensions on the Korean Peninsula. A nuclear-armed North Korea threatens regional peace and stability. While diplomatic efforts have produced undertakings for North Korean

denuclearisation, its policy of brinkmanship and belligerence continues to have a destabilising effect on North Asia.

India's expanding economy and greater international engagement, including closer relations with the United States, are giving New Delhi a stronger voice on international strategic matters. Australian and Indian interests converge on key issues of global stability, and we look forward to increasing defence and security cooperation.

In **Southeast Asia**, for the next few years the most pressing security issues will be about internal security matters. Terrorism, insurgency and communal violence fester in parts of the region, and we expect regional governments will continue to focus their security efforts on them. There have been some significant achievements. After four years where there had been at least one major, large-scale attack a year on Australian and Western interests in Indonesia, **Ji** has failed to successfully conduct an attack since the second Bali bombings in October 2005. The following month an Indonesian police raid killed **Ji's** chief bomb maker and Indonesian police and intelligence – in cooperation with Australia – foiled planned attacks and disrupted **Ji** cells in Sulawesi and Java.

The consolidation of democracy in Indonesia is also a very welcome development and it has given that country its best chance for long-term stability and prosperity. As we indicated by our signature of the Lombok Treaty in November 2006, we remain committed to the territorial integrity of Indonesia. We see a stable and secure Indonesia as integral to the democratic and economic reforms under way, and that is also very much in Australia's

own strategic interest. Still, democratic government has not proven as resilient in other parts of the Asia-Pacific, as military coups in Thailand and Fiji show.

Australia also values our close dialogue and engagement with our other ASEAN partners, particularly Singapore, Malaysia, and the Philippines. This will help strengthen regional cooperation, and improve the capacity of states to look after their own security.

THE MIDDLE EAST AND CENTRAL ASIA

Many of the worrying strategic trends highlighted in this Update intersect in the Middle East. Terrorism inspired by religious extremism, WMD proliferation, environmental

and demographic challenges, stagnant economies and, in some cases, poor quality political governance are all features of the region.

We expect Australia's strategic involvement in the Middle East to continue, reflecting the continuing importance of the region to our security and broader national interests. Three equally important factors drive that assessment. First, the United States will remain heavily engaged in the Middle East, including Iraq and Afghanistan. Although its strategies and military presence may adapt, the United States does not have a realistic option to withdraw from the region because to do so would undermine its own security, and that of its allies. Second, the



WE EXPECT AUSTRALIA'S STRATEGIC INVOLVEMENT IN THE MIDDLE EAST TO CONTINUE, REFLECTING THE CONTINUING IMPORTANCE OF THE REGION TO OUR SECURITY AND BROADER NATIONAL INTERESTS.

strategic interests and resource needs of emerging global powers such as China and India, as well as our major trading partners, are increasingly tied to the Middle East. Last, extremist terrorism continues to draw funding, support and people from the Middle East. For as long as that is true Australia and like-minded countries need to fight terrorism at its source rather than wait for it to come to our shores.

ground and work closely with our friends and allies.

Consideration of the security situation in the Middle East must also contend with WMD proliferation. Iran's nuclear plans remain a major concern. A nuclear-armed Iran would be a further cause of regional instability. Iran's activities have been condemned consistently by the United Nations Security Council.



The stakes are high in Iraq and Afghanistan, not only for the peace and stability of those countries, but also because the outcome will influence how the United States uses its power in future to deal with security challenges. Ultimately our own security and that of the Asia-Pacific is tied to finding a sustainable balance in the Middle East that weakens terrorism and enhances stability. To help defeat terrorism Australia must have patience, a sustained military commitment, a willingness to adapt to conditions on the

Sanctions have been imposed to enforce principles of nuclear non-proliferation. We recognise there is also a need for continued and increased diplomacy by concerned nations to counter Iran's nuclear ambitions.

A MORE CHALLENGING STRATEGIC ENVIRONMENT

Despite the security challenges posed by terrorism – as serious as they are – nation-



states are still the key players shaping our security environment. In Asia, we can see both strengthening nation–states as well as challenges to state sovereignty. In the Middle East, nation–states are under increasing pressure, including from non–state groups. Such changing patterns of power, force and capability have strategic implications for Australia. Since the White Paper of 2000, the Updates have tracked the emergence of new security structures and new challenges to stability.

So Australia must prepare prudently for a range of defence contingencies, from small–scale local concerns and possibilities, to unanticipated, state–based conflict. We are well placed to play a greater regional and global role in strengthening security, and we have a solid track record working with others to keep our region peaceful. The next chapter examines the key elements of our defence policy and the impact these have on the shape of our military forces.

SUMMARY

Globalisation, terrorism, the challenges posed by fragile states and the threat of WMD proliferation all continue to shape our security environment. We also need to take into account relations between the major powers in our region and the changes in the use of force by states and terrorists. Because of their importance to our interests and their potential to reshape global security, the Middle East and Asia–Pacific will continue to focus our attention for some time.

