Challenges to the Nation-State in the Asia-Pacific: How Will Australia Adapt in the Emerging Era of the ‘Market-State’?

Stephen Dalton

Centre for Defence and Strategic Studies
Australian Defence College
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Abstract

This paper explores Philip Bobbitt’s theory of the ‘market-state’, and how this relates to the evolving international relations of the Asia-Pacific. It assesses Bobbitt’s claims regarding the characteristics and behaviours of market-states, and evaluates what this might mean for Australia. Although the author finds that Australia has made some changes that will position it well in a future system of market-states, greater transformation will be needed if Australia is to respond adequately to any security challenges in such a system.

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Editor, Stephanie Koorey, CDSS Publications Editor.
About the Author

Captain Stephen Dalton is in the Royal Australian Navy, serving primarily as a submariner. He has commanded the Her Majesty’s Submarines Onslow and Sheean and currently works as the Director Intelligence Operations at Headquarters Joint Operations Command. Captain Dalton graduated from the Centre for Defence and Strategic Studies in 2009 with a Master of Arts in Strategic Studies. He is also a graduate of the Royal Australian Navy staff course, winning a silver medallion for the best essay, and the inaugural Sword of Honour for achieving dux of the Submarine Warfare Officer’s course.
Introduction

This paper assesses Phillip Bobbitt’s notion of the changing nature of the nation-state, the consequential changes to the international Westphalian system, and how this relates to the future of the Asia-Pacific region. In *The Shield of Achilles: War, Peace and the Course of History*, Bobbitt identifies a number of challenges to the viability of the nation-state and proposes the emergence of a new era of international relations based on what he terms the ‘market-state’.¹ He identifies five challenges to the viability of the nation-state: the recognition of the concept of universal human rights; the proliferation of nuclear weapons; new transnational security threats; a globalised economy; and modern global communications.² Bobbitt proposes that the United States is evolving into a market-state,³ along with, one could argue, other states such as Australia. If this is the case, how will such changes influence Australia’s national security strategy during the next ten years?

Bobbitt’s key premise is that innovations, responsible for ending what he terms the ‘Long War’ of the twentieth century, are transforming the constitutional order of the state into a new form called the market-state. If Australia is to survive and prosper in an emerging era of market-states, novel thinking about national security strategies will be required that takes account of this new constitutional order. This paper examines the emerging concept of a market-state, analyses why new types of security challenges are transforming the nation-states of the Asia-Pacific region, and evaluates the impact of such challenges on Australia’s future national security strategy.

According to Bobbitt, a market-state is one that seeks to maximise the opportunity of its people, in contrast to a nation-state that acts as an instrument to serve the welfare of the nation.⁴ Nation-states are further defined by territorial sovereignty and national identity, and seek to improve the lives of their citizens by providing security from external threats, internal stability, popular sovereignty, economic security and public goods.⁵ This paper explores why nation-states are transforming into market-states, and discusses further the characteristics of the latter. For the purposes of this paper, the Asia-Pacific region includes the sub-regions of South Asia, South-East Asia, East Asia, Australasia and the South Pacific.

⁴ Bobbitt, *The Shield of Achilles*, p. 211.
The Post Cold War World Order and the Market-State

Bobbitt’s second book *Terror and Consent: The Wars for the Twenty-First Century* takes the concept of the market-state further. Essentially both his works explore the interplay between strategy and law—how the evolution of warfare and constitutional characteristics of states interact and have changed the nature of international relations and the legitimacy of states. In particular, both works provide a detailed explanation of the changes since the end of the Cold War and a vision of the new type of state that has emerged. To understand the rise of the market-state, one of the first issues to explore is the concept of the ‘epochal war’ of the twentieth century.

*Epochal War and the ‘Long War’ of the Twentieth Century*

According to Bobbitt, the Cold War was the final phase of an epochal war that extended from 1914 to 1990—what he terms the ‘Long War’. It was a struggle between fascism, totalitarian communism and liberal parliamentary democracy to decide the legitimate organising principle of the nation-state. In what might be viewed as the triumph of parliamentary democracy over communism in 1990, a new constitutional model, the market-state, led the order that emerged from this extended conflict. Bobbitt argues that, despite this triumph, the innovations that won the Long War—nuclear weapons, international communications in the broadest sense and the technology of rapid computation—are paradoxically undermining the legitimacy of the nation-state.

Departing from the conventional wisdom that tends to identify the modern state as a relatively static construct originating in the seventeenth century, Bobbitt describes a more fluid construct that undergoes periodic transformation—a ‘two-way causal relationship’, between constitutional change and military revolution or strategic innovation. An important feature of his work is the concept of epochal wars—major transformational events comprising a long series of conflicts or wars, often discontinuous, fought over a central issue until a final comprehensive settlement. In addition to the ideological example from the twentieth century noted above, a better-known example is the Anglo-French Hundred Years War, a struggle over the crown of France fought discontinuously between 1337 and 1453. What made the Hundred Years War a single historical event was the dispute over the crown of France. What made the Hundred Years War an epochal war was the important role it played in the

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transformation of warfare and the characteristics of France and England\textsuperscript{10} as they evolved into what Bobbitt calls ‘princely states’.\textsuperscript{11}

A central theme of Bobbitt’s \textit{The Shield of Achilles} is the historical link between law and strategy. Epochal wars are at the centre of this interplay and act as the agents of transformation of the constitutional structure of both states and the societies of states.\textsuperscript{12} Often, such epochal wars are influenced by innovations that determine the outcome of the war as well as changes to the structure and legitimacy of states and their relations with each other. Bobbitt traces the history of the modern state through five different stages, from the realms of princes to princely-states, kingly-states, territorial states, state-nations through nation-states, to the latest emergent form of the state—the market-state. The lesson to draw from this evolution of the state is that Bobbitt’s Long War is only the most recent of a long series of epochal conflicts that have driven the evolution of contemporary states and the international order.

In addition to Bobbitt, Niall Ferguson also describes the twentieth century as a period of almost continuous conflict of unprecedented savagery. In \textit{The War of the World}, he identifies the period from the Russo-Japanese War of 1904 and the end of the Korean War in 1953 as the ‘War of the World’, and the period that follows as the ‘Third World’s War’.\textsuperscript{13} Ferguson identifies ethnic conflict, economic volatility and empires in decline as underlying factors in these two related conflicts, and proposes that the most important development of the twentieth century was the decline of Western power.\textsuperscript{14} Ferguson further concludes that those same factors fuelling the violence of the ‘War of the World’ are relevant today and will remain so in future.\textsuperscript{15} His summation is that the decline of the West, combined with ethnic mixing through immigration, plus economic volatility, has set the scene for continued violent conflict in the twenty-first century.\textsuperscript{16} The two issues of a diffusion of Western power and identity-based conflicts (a term that includes ethnic conflict) will remain relevant in the Asia-Pacific region over the next 20–30 years and are discussed later in this paper.\textsuperscript{17}

Ferguson’s perspective lends support to the concept of thematic wars linking multiple conflicts, but through a different lens to Bobbitt. The distinction is that Bobbitt identifies the Long War as an epochal conflict to resolve the dominant model of the nation-state and the dawn of a constitutional order of market-states, whereas Ferguson sees continuity in the common denominators of the wars of the twentieth century. Yet, taken together, these two authors both support the idea of epochal

\textsuperscript{11} Bobbitt, \textit{The Shield of Achilles}, pp. 75–94.
\textsuperscript{12} Bobbitt, \textit{The Shield of Achilles}, pp. 21–23.
\textsuperscript{14} Ferguson, \textit{The War of the World}, p. xli.
\textsuperscript{15} Ferguson, \textit{The War of the World}, pp. 606–646.
\textsuperscript{16} Ferguson, \textit{The War of the World}, pp. 645–646.
wars. The disturbing continuity of conflict in the present as described by Ferguson supports Bobbitt’s argument that the era of market-states has yet to experience a decisive epochal conflict.

The 1990 Charter of Paris, and associated agreements, marked the end of the Long War and left the United States as the dominant world superpower and model nation-state. However, the momentous events of the early 1990s did not deliver the expected global peace dividends. Bobbitt’s explanation lies in the factors that contributed to the end of the Long War, and helps make sense of a less peaceful international order after an epochal peace settlement.

Bobbitt points out that states are remarkably resilient, and throughout history have adapted in order to survive. He describes the relationship between war and constitutional order as a ‘mutually excited circuit, where warfare drives changes in the state and changes in the state drive changes in warfare’. Nuclear weapons, global communications and rapid computing are factors that he sees as having led to the end of the Long War. Combined with the concept of universal human rights and new transnational threats, Bobbitt claims these five challenges are undermining the legitimacy of nation-states and the international system of nation-states, the cornerstone of which is individual state sovereignty. He concludes that these challenges, and their associated conflicts, are driving constitutional change. In order to survive, he contends that nation-states will need to adjust to these challenges, redefining the ways they establish legitimacy and execute strategy in order to survive as states. A closer examination of these five challenges helps to explain this transformation of the international order at the end of an epochal war.

The first challenge is that presented by nuclear weapons. Nuclear weapons tended to stalemate armed conflict between the major powers during the Cold War. This is because they are so destructive that a single nation-state is unable to protect its citizens without threatening similar destruction on potential enemies—mutually assured destruction. Developed during the Second World War as a natural extension of a strategic bombing campaign, and used against Japan during the concluding phase of the war, nuclear weapons ultimately served to stalemate superpower competition once their development had proliferated to the alliances on both sides of the Cold War. However, the proliferation of nuclear weapons and their technology beyond the former Cold War belligerents, the lack of transparency on the part of nuclear powers outside the constraints of the Non-Proliferation Treaty, combined with the commoditisation of nuclear weapons technology demonstrated by the AQ Khan network, have raised the spectre of their use outside the conventional

constraints of strategic deterrence.\textsuperscript{22} These developments pose challenges that cannot be solved by any one individual nation-state.

The second challenge is globalised communications in the broadest sense, which might also be termed ‘interconnectedness’ and ‘interdependence’. The efficiencies of interdependent commerce and free trade made the West enormously wealthy after the Second World War, and contributed to the economic power that enabled prosecution of the Cold War without adversely affecting the capacity of the state to provide for their citizens’ welfare. Trade and financial liberalisation created a dynamic world market dominated by multinational firms that were able to optimise the locations of their operations for maximum efficiency, and to do so almost independently of states. Globalised communications enabled replacement of the gold standard for finance with what is now an information standard. The global trade in finance enabled by modern communications dwarves the value of trade in goods and services. An estimated US$4 trillion is traded daily—a figure greater than the US annual Gross Domestic Product (GDP).\textsuperscript{23}

The recent global financial crisis, originating with a failure of money-lending institutions in the United States, is a recent example of the interconnectedness, power and reach of the money market. According to Australian Prime Minister Kevin Rudd: ‘Global equity markets have lost approximately US$32 trillion in value since their peak, which is equivalent to the value of the combined GDP of the G7 countries in 2008.’\textsuperscript{24}

Similarly, the globalised trade in commodities also exposes nation-states to forces beyond the control of governments. A recent example is the third oil shock of 2004, when the price of crude oil grew exponentially due to a sharp rise in demand in the rapidly developing economies of China and India.\textsuperscript{25} These forms of globalisation expose a nation-state’s economy and currency to forces beyond its control, mostly by agents outside the control of individual states, and threaten a government’s legitimacy during economic crises. Globalised communications that have enabled unprecedented economic growth, expansion of trade, population growth, consumerism, travel and energy consumption have also given rise to new types of transnational threats that no nation-state acting alone can resolve, such as ozone depletion, climate change, epidemics and globalised terrorism.\textsuperscript{26}

The third challenge is the development of rapid computing, which has its origins in military technology.\textsuperscript{27} However, the proliferation of the networked combination of global communications and rapid computing has undermined governmental controls

\textsuperscript{22} Bobbitt, \textit{Terror and Consent}, p. 522.
\textsuperscript{23} Bobbitt, \textit{The Shield of Achilles}, p. 221.
\textsuperscript{25} Michael Wesley, \textit{Power Plays, Energy and Australia’s Security}, Australian Strategic Policy Institute, Canberra, October 2007, pp. 5–6.
\textsuperscript{26} Bobbitt, \textit{The Shield of Achilles}, p. 228.
\textsuperscript{27} Bobbitt, \textit{The Shield of Achilles}, p. 227.
on the flow of information. The ubiquitous nature of the Internet, the reach of global media networks, and digital media devices of all descriptions now enable the distribution of news, images and information so widely and rapidly that it is almost impossible for a nation-state to insulate itself from outside influence.

For example, the use of the Internet in the struggle for democracy in Iran, state suppression of satellite television transmissions covering the 2009 Iranian election protests, and Chinese suppression of Internet sites concerned with the tenth anniversary of the 1989 Tiananmen Square protests demonstrate some of the challenges rapid computing and globalisation present to the more authoritarian nation-states. The Internet has enabled a democratisation of information that is difficult for any state to control effectively. In turn, the flow of information via the Internet outside of governmental control has resulted in a trend toward greater accountability and scrutiny of state activities domestically and globally, regardless of the type of government.

The fourth challenge to nation-states is the recognition of human rights as a universal standard. Human rights in modern states and international law is an essentially Western notion. Early examples are the 1789 Revolutionary French Declaration of the Rights of Man and of the Citizen and the 1791 US Bill of Rights. One of the first acts of the newly formed United Nations General Assembly was the Universal Declaration of Human Rights in 1948, which combined with the International Covenant on Economic, Social and Cultural Rights and the International Covenant on Civil and Political Rights and its two optional protocols (1966) form the International Bill of Human Rights (IBHR). However, despite not all countries ratifying or acceding to the IBHR, or the jurisdiction of the International Criminal Court, the standards of human rights embodied in these UN instruments have become benchmarks for human rights in international relations and national constitutions, and provide an international basis for interest in domestic affairs when violated.

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34 UNOHCHR, *Fact Sheet No.2 (Rev.1)*, pp. 6–7. The fact sheet lists all 132 countries that had ratified or acceded to the International Bill of Human Rights by 1996.
35 UNOHCHR, *Fact Sheet No.2 (Rev.1)*, pp. 8–9.
The implication for nation-states is that violations of universal human rights, regardless of domestic laws, have consequences. Moreover, the pervasiveness of globalised media communications ensures visibility of such actions—the already noted suppression of protests after the 2009 Iranian elections and China’s suppression of the anniversary of the 1989 protests. Furthermore, economic and political integration with developed Western countries often comes with human rights clauses (for example, any trade agreements with the European Union).  

The final challenge is the combined effects of transnational threats that respect no borders and are beyond the means of any one state to counter—climate change, global terror networks, population growth, mass migration and pandemic diseases. The extent to which human populations have exploited the world’s natural resources such as water, agricultural land, minerals, coal, oil and gas has created new problems of fine tolerances between supply and demand due to the scale and industrialised efficiency of global extraction, distribution, commerce and consumption. According to Jared Diamond, the unconstrained human impact on the world’s resources and ecosystems threatens the very existence of civilisation in its current form. He supports his claim with historic and prehistoric examples where societies collapsed due to unsustainable use of resources, as well as examples of societies that adapted to existential challenges and survived.

The problem for contemporary nation-states is that existential challenges that might have been managed locally in the past are now truly global in nature. Industrialised and post-industrialised states, with their large, urbanised populations and energy and resource hungry economies, rely on complex and interconnected transport, finance and communications networks to function. And such reliance on globalised, interconnected and distributed systems—often called ‘critical infrastructure’—creates new vulnerabilities. The consequence is that seemingly national issues—such as a terrorist cell in Afghanistan or state collapse in Somalia—become of vital interest to the international community when they threaten critical infrastructure—blurring the distinction between the domestic and the global. Rudd notes this in the Australian Government’s 2008 National Security Statement:

> Increasing complexity and inter-connectedness is a fact of life in the modern, global environment. Classical distinctions between foreign and domestic, national and international, internal and external have become blurred.

It seems that there is a body of material to support Bobbitt’s contention that both the nature of the nation-state and the international order based upon nation-statehood

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36 Cooper, The Breaking of Nations, p. 42.
are being transformed. In response to these challenges, he foresees the emergence of market-states. These are states that will seek constitutional legitimacy by maximising the opportunities for their people because the nation-state can no longer guarantee their welfare. If Bobbitt is correct, Australia will need to adapt to this new market-state environment.

The End of the ‘New World Order’

Bobbitt identifies the period following the end of the Long War in 1990 as one of changing order, not the more common term of a ‘new world order’. He describes the wars in the former Yugoslavia as the demarcation point between the age of nation-states and the emergence of the age of market-states. It is important to understand the lessons from the 1990s as this period serves to illustrate some of the security challenges to be resolved by states such as Australia during this new period of transformation.

The Wars of the Collapse of Yugoslavia

If the expulsion of Iraqi forces from Kuwait in Operation Desert Storm in 1991 is regarded as the epitome of President George H W Bush’s ‘new world order’, then the war in Bosnia must be considered the nadir of that order. While these examples are in contrast, the conflict in Kosovo demonstrates an alternative approach that may be more useful in determining a future course.

In Operation Desert Storm, a US-led coalition with UN Security Council (UNSC) authorisation to ‘use all necessary means’ expelled Iraqi forces from Kuwait to ‘restore international peace and security in the area’. The coalition acted decisively with the full UNSC authority and returned the region mostly to the pre-war status quo. The United Nations had indeed been established to handle any war between states with an inter-state collective security response.

In contrast, a series of secessionist wars erupted following Yugoslavia’s collapse in 1992 that resulted in confusion and inaction. When war broke out in Bosnia-Herzegovina, the nature of the conflict was unclear and the international community was unable to decide how to legitimately and effectively resolve the problem. Bobbitt identifies five failures in the international response to this conflict: not noticing the war; not defining what the emergency was; not deciding what to do; not assigning responsibility for action; and not implementing action. He blames these failures on the weaknesses of organisations comprised of nation-states, including the

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40 Bobbitt, The Shield of Achilles, p. 468.
United Nations. An organisation comprised of nation-states simply could not deal with an ambiguous type of conflict that failed to fit prevailing paradigms.43

The war in Bosnia was not a war of secession—the new Yugoslavia (at the time Serbia, Montenegro and Kosovo) became a state at the same time as Bosnia, Croatia and Slovenia. Nor was it simply a war of national self-determination, as there was no single Bosnian national group—the population had a roughly even mix of Croats, Serbs and Bosniacs (Bosnian Muslims).44 It also resembled a war between three nations inside Bosnia’s borders, but with a vague relationship between Bosnian Croat and Serb militias and their parent states. Consequently the response from the international society of states was equally ambiguous, with member-states making minimal moves to interfere with what amounted to a campaign of ethnic cleansing.

When a new war in the Balkans escalated in 1998 between the Kosovo Liberation Army and Serbian army and police forces in Kosovo, the North Atlantic Treaty Organization (NATO) launched an air campaign in March 1999 without a UNSC mandate. The campaign forced the withdrawal of Serbian forces, enabling the entry of the NATO Stabilisation Force to enforce a peace.45 What made the actions of NATO allies unique was what Bobbitt describes as the interpretation of ‘market-state concepts of sovereignty’—that the Serbian state’s widespread suppression of human rights of an internal ethnic group justified an external intervention to restore order.46

These wars exposed the weakness of the UN security structures when it came to handling the violent break-up of a state wherein had occurred gross human rights violations; and this brought great discredit to the United Nations. Bobbitt characterises this period as the ‘death of the society of nation-states’.47 His criticism lies in the weaknesses of international law; that it is both universal and based on a society of nation-states. The failures in Bosnia, which have their origin in the paradigms of respect for the sovereignty of individual nation-states and abhorrence for aggressive warfare, were, he says, ‘actually destructive of international law as a legitimating force’.48

The central question posed by wars in the former Yugoslavia is when is it appropriate for third parties to use force? Bobbitt’s approach is for states to decide individually and collectively using the principles of case law, whereby the creation of precedents and studies of past actions are used to legitimise the use of force. He describes this principle as ‘deploying the habits of law on behalf of strategy, and of course vice versa’.49

46 Bobbitt, The Shield of Achilles, p. 468.
The relatively successful NATO action in Kosovo in 1999 was a precedent based on these market-state principles. First, it was an intervention to restore the rule of law based on Serbia’s violation of universally-recognised human rights; second, it occurred without the endorsement of the UNSC; and, third, it was with the consensus of like-minded NATO states. As the world draws closer to a system based on market-states rather than nation-states, Australia will also need to find a way to answer similar questions about when to use deadly force.

**Market-States: Characteristics and Strategic Choices**

Such changes as discussed above will require states to develop innovative strategies in order to survive and prosper, as well as different ways of maintaining constitutional legitimacy. Before assessing what these changes may mean for Australia and its place in the Asia-Pacific region, it is necessary to examine the characteristics of market-states and the strategic choices appropriate to the type of emerging global order suggested by Bobbitt.

**Characteristics of Market-States**

Bobbitt predicts that a market-state will aim to maximise the benefits enjoyed by all members of society, tending to privatisate state functions and make representative government more responsive to the market. These innovations will be necessary because the market-state’s prosperity will depend on the stability of the globalised markets for finance, goods and services. Like the nation-state, the market-state will measure its success through its economic performance; unlike the nation-state it will tend to see itself as merely a minimum provider, or redistributor, of wealth. The market-state will prefer to use the market and the privatisation of state functions to provide better opportunities for its citizens. Government interference will tend to be small-scale and modest. For example, poverty might be dealt with through improved education and training to enhance employment market competitiveness rather than large-scale and ambitious wealth redistribution programmes. That is not to say that market-states will fail to act decisively when confronted with a major crisis. The response by the G20 to the recent global financial crisis is one example of state intervention to restore a confidence in national and global financial markets.

A nation-state is concerned with rules and regulations to promote desired behaviour and is focused on the welfare of the nation. In contrast, any market-state will pursue its agenda through incentive and penalties. It will remain relatively indifferent to the norms of justice and morals (as long as laws are not impediments to economic health), class, race, religion, ethnicity and gender, and will aim for a more equitable system across the board. Unlike the nation-state, the market-state will be more concerned with promoting opportunities for individuals than with the welfare of groups.

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'Global Relations Thinking'
According to Bobbitt, the market-state system will increasingly require ‘global relations thinking’ rather than the current nation-state-centric international relations system. This is because states, the fundamental basis for international relations, will increasingly be but one of a number of groups exerting powerful influence over global events.

Enabled by globalised communications and finances, non-state entities such as Amnesty International and CARE already have access to considerable resources and influence, even to the point of rivalling that of smaller states. It could be said that globalised terrorist groups have similar characteristics. They are part of, rather than in, the market. Unlike states, these non-state actors wield power and influence in the information space, and with less territorial constraints. These groups are able to influence public opinion through the media and are therefore able to challenge the legitimacy of government actions. Amnesty International’s work exposing human rights violations and Al Qaeda’s utilisation of the Al Jazeera network are pertinent examples. The market-state can remain agnostic about non-state actors provided they do not violate international law, but cannot discount their existence or ideas in pursuit of strategies that maximise opportunities for their citizens.

Bobbitt claims that the emergence of a constitutional order based on market-states has been a gradual twenty-year process, beginning in the 1980s when UK Prime Minister Margaret Thatcher and US President Ronald Reagan did much to ‘discredit the welfare rationale of the nation-state’. Similarly, UK Prime Minister Tony Blair and US President Bill Clinton were the most prominent figures to lead their countries into the era of the new constitutional order that began to emerge after the end of the Long War in 1990. This order was based on maximising opportunities rather than guaranteeing welfare and existed in an interconnected world facing global issues. In October 2001 Blair summarised the nature of this new security environment:

The critics will say: but how can the world be a community? Nations act in their own self interest. Of course they do. But what is the lesson of the financial markets, climate change, international terrorism, nuclear proliferation or world trade? It is that our self-interests and our mutual interests are today inextricably woven together.

The blurring of the lines between what constitutes a domestic, regional or global issue is a consequence of interconnectedness. As noted in Rudd’s comments above, the shift in Australia toward global relations thinking has already started, and the imperative of geography in the reigning ‘Defence of Australia’ paradigm was broken

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to an extent by Defence 2000.\textsuperscript{57} Since 2000, Australia has continued to embrace a more global strategic posture.

**Critical Infrastructure**

Critical infrastructure are ‘those infrastructures supporting and connecting telecommunications, energy, banking and finance, transportation, [and] government service without which contemporary states would be unsustainable’.\textsuperscript{58} One problem facing market-states is that much of this critical infrastructure, including government services, is in the hands of the private sector—a consequence of the pursuit of more cost-effective and efficient services. The potential impact of an attack on critical infrastructure became a reality following the Al Qaeda attacks on the United States on 11 September 2001, attacks that had immediate national and global impacts on logistics and security.\textsuperscript{59}

The security challenge for market-states is that critical infrastructure is vital for creating wealth, but also creates vulnerabilities. Policymakers in the United States began to document these vulnerabilities immediately after the events of 11 September 2001. Examples include interconnected power grids or generating stations; gas distribution and storage systems; transportation of dangerous chemicals through population centres by road or rail; poisoning of mass produced food products; containerised cargo, only a small percentage of which is inspected; and cyber infrastructure. The problem facing governments is that market-states cannot resource the protection of all critical infrastructures, and must rely on the private sector to mitigate some of these vulnerabilities. Even after the terrorist attacks, US policymakers had difficulty implementing rules to reduce vulnerabilities, due to both limited jurisdiction and industry resistance to added costs.\textsuperscript{60} The problem with global critical infrastructure, such as the airline industry, container shipping and cyber infrastructure is that regulating these areas requires participation and cooperation on a truly global scale.

Australia is not immune to critical infrastructure vulnerabilities. With its large urban populations, a low density but increasing population, vast size and wide distribution of infrastructure, Australian economic health is particularly reliant on transportation, energy and cyber infrastructure. The bulk of this infrastructure is in the hands of the private sector.

Transportation and energy security have a close relationship. The Australian transport sector relies on petroleum products for 97 per cent of the energy it consumes, and is particularly sensitive to oil prices.\textsuperscript{61} There have been few


\textsuperscript{58} Bobbitt, The Shield of Achilles, p. 906.

\textsuperscript{59} Roberts, ‘The Limits of Control’, p. 315.

\textsuperscript{60} Roberts, ‘The Limits of Control’, pp. 316–317.

\textsuperscript{61} Wesley, Power Plays, p. 24.
significant efforts to diversify transportation energy sources, even since the energy shock of 2004–2008. Although Australia is self-sufficient in energy in absolute terms, net self-sufficiency in oil production is expected to decline during the next twenty years. Supplies will also trend away from coming from the Asia-Pacific region to the less stable Middle East, in concert with the rest of the world. Increased imports from the Middle East, where disruptions of oil supplies are more likely due to conflicts there, will see that region become increasingly important to Australia’s energy security future.

Threats to the security of energy trade and infrastructure in Australia have tended to come in the form of energy shocks, accidents and natural disasters, rather than military coercion, terrorism or conflict. The remote location of most oil and gas production, the low probability of sustained disruption by terrorist attack, and the resilience of the national electricity grid combine to reduce the risks in these sectors. Even so, the significant economic disruption in Western Australia caused by a gas plant explosion at Varanus Island is a warning of the potential disruption to less resilient infrastructure.

The importance of cyber infrastructure has grown enormously during the last ten years, and should be considered a vital component of national power. Like energy and transport infrastructure in Australia, much of the cyber infrastructure, including that utilised by Defence, remains in private hands. Cyber infrastructure has both physical and informational (or cyber) components. Whereas the physical component is subject to the same risks and vulnerabilities as other systems such as power, cyber infrastructure holds a special place in the Information Age because of the vital enabling role Internet protocol applications play in facilitating, for example, finance, business, railways, and oil and gas distribution. According to Gary Waters, both Australia and the United States have deficiencies in the area of cyber defences, and need to catch up in a rapidly growing threat environment. One computer security organisation reported a 3,500 per cent increase in cyber attacks between 1995 and 2005. The importance of cyber infrastructure to a market-state in the Information Age cannot be underestimated, and fortunately Australia has taken steps to reduce its vulnerabilities by investing in a cyber-warfare capability.

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65 Wesley, *Power Plays*, p. 27.
Transformation to a Market-State World Order

Bobbitt maintains that while states are evolving or have evolved into market-states, in a recent interview he stated that yet to emerge is an order based on market-states.70 Further, Alex Tewes interprets nation-states as self contained, sovereign entities that are ‘like billiard balls bouncing off one another on a billiard table’, but describes market-states as fundamentally dependent on other states, which need to behave ‘according to an explicit and common rule set which enables commercial and other transactions to occur in a predictable fashion’.71 According to Bobbitt, there are two interrelated aspects to this transformation—constitutional change within states and changes to how states relate to each other.

Robert Cooper takes the latter in interesting directions, and in The Breaking of Nations: Order and Chaos in the Twenty-First Century he provides some useful insights into international relations systems. Cooper outlines the co-existence of a world divided into three different elements: the pre-modern; the modern; and the postmodern.72 The pre-modern world consists of areas afflicted with post-colonial chaos, in a pre-state phase or where the state has collapsed and no longer holds a legitimate monopoly on the use of force—weak or fragile states. The modern world is that which dominates contemporary international relations thinking, based on the conventional system of state sovereignty, the nation-state, balance of power theory and the role of the United Nations. Cooper’s third element is the postmodern world, of which the European Union is the prime example.73 Cooper’s key characteristics of the postmodern system are: non-reliance on balance of power; a de-emphasis of state sovereignty and the separation of domestic and foreign affairs; transparency and interdependence; voluntary external intrusion into previously sovereign state issues such as military forces, trade, finance and human rights; and a preference for the rule of law over the rule of force.74

No other region of the world has integrated trade, law and political institutions to the extent of the European Union member states. Few other regions have had the shared history, years of stability and economic growth or confidence in their neighbours to pursue such a level of institutionalised integration. In the Asia-Pacific region, Cooper surmises that Japan is inclined to postmodernism but is surrounded by states locked into the modern system. He also observes that the member states of the Association of Southeast Asian Nations (ASEAN) demonstrate an aspiration towards postmodernism, but are constrained by a guarding of hard-won sovereignty and a reluctance to allow interference in their domestic affairs.75 Despite this observation, a proliferation of multilateral forums and institutions in the Asia-Pacific region has

70 Philip Bobbitt, interview with Harry Kreisler.
74 Cooper, The Breaking of Nations, pp. 26–37.
75 Cooper, The Breaking of Nations, p. 42.
accompanied the growth in global and regional economic integration—in 2007 there were 562 multilateral dialogues in the region covering a vast array of topics. Therefore, although the Asia-Pacific region may not become integrated to the extent of the European Union, there is already a process of integration underway, despite the different stages of development and diverse interests of states.

Cooper also identifies a special role for the United States. He sees it as the creator of the conditions that enabled the European Union to evolve through the United States’ preponderance of global power. A similar dynamic has taken place in the Asia-Pacific region, where the United States established a system of ‘hub-and-spokes’ bilateral alliances after the Second World War, which have since been complemented by regional organisations. New organisations such as Asia Pacific Economic Community, the ASEAN Regional Forum (ARF), ASEAN Plus Three, and the East Asian Summit have proliferated, and act to enmesh regional powers (such as China, Japan and the Republic of Korea) with smaller states to ensure they have a stake in regional order. This then works as an alternative to power balancing. Barry Desker argues that these forums, particularly the ARF, tend to deal with ‘soft’ non-traditional security issues, reserving the bilateral relationships with the United States for the traditional ‘hard’ security issues. This system has brought enormous economic benefits, particularly to Japan, as well as to members of ASEAN.

However, constitutional change is also seen as vitally important in this era of transformation. Bobbitt argues that states will need to transform their constitutional basis in order to operate as market-states. In Terror and Consent he contrasts the US style of ‘transparent’ sovereignty with the European style of ‘translucent’ sovereignty, noting that each will have different implications when applied to domestic and international law. Transparent sovereignty is based concepts articulated in the US Constitution, such as limited powers of government, extraterritorial aspects and retained rights of citizens. In contrast, translucent sovereignty is derived from a more traditional ‘top-down’ approach, whereby power is territorial, fully vested in the government, and the sovereign authority grants rights to its citizens.

The particular problem for Bobbitt is that international law and the resultant institutions derive from European concepts of translucent sovereignty. The assumption that translucent sovereignty in international law relies upon is the assumed presence of a normative, universal authority that sits above politics and

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80 Bobbitt, Terror and Consent, p. 467.
nation-states. This authority is able to create a system of governance for nation-states, but does not require the laws produced by such institutions to be the product of accountable, representative political processes. This concept is incompatible with transparent sovereignty, which requires assent from all arms of representative government, as well as a concept of retained rights. 81

Bobbitt thus makes a case for remodelling international law along the lines of transparent sovereignty. Having regard to the former Yugoslavia (discussed above), international law should be applied using precedents and the study of such past cases, combined with the concepts of retained rights, when authorising the use of force. This should replace the current system of treaty regimes and UNSC Resolutions, which are decided through the consensus of states—not all of which have representative governments.

Bobbitt further proposes that as market-states evolve, it will be possible for like-minded states to deal with transnational challenges by adopting transparent forms of sovereignty to legitimise alliances, achieve consensus for the use of force and establish international norms of behaviour and prohibitions. He also predicts market-states will create markets for ideas, and indeed may engender internal conflict when marginalised non-state entities seek situations that provide them with the best opportunities. 82 The violence associated with rejectionist groups, such as the anti-globalisation movement and globalised terror networks like Al Qaeda, support this notion.

A final model at the opposite end of the spectrum from transparent sovereignty is opaque sovereignty, where authority is vested in an authoritarian state or despotic leader. This model is not open or accountable, and is associated with regimes such as North Korea or Burma, or even with a terrorist organisation like Al Qaeda, which Bobbitt describes as a ‘virtual state’ that resembles a multinational franchise rather than a territorially bound, centralised state. 83 This type of sovereignty will provide the biggest challenge for market-states as they seek both consensus for their strategies and a revision of their constitutional order.

Australia most closely resembles the British or European model of translucent sovereignty, with defined limited governance derived from a head of state rather than the people, and with fewer practical checks and balances on the exercise of power than the United States. Although power is divided between two houses of parliament and an independent judiciary, the practical application of party politics in the executive and through the legislative processes of parliament tends to undermine the separation of powers. 84 Governments can use numbers and party discipline to

81 Bobbitt, Terror and Consent, p. 485.
83 Bobbitt, Terror and Consent, p. 93.
block disclosure and stifle public debate. While a solution to this issue could be reached through either party or constitutional reform, neither seems likely in the short term.\textsuperscript{85}

Nevertheless, greater transparency will be in the interests of market-states. The relentless reach and visibility of a probing free media counterbalances these weaknesses to an extent, and forces governments to maintain a public image of accountability and openness, even if this differs from the reality. As Australia evolves as a market-state it will need to compete for consensus both domestically and globally—a government that prefers to make decisions behind closed doors will find itself the subject of great suspicion. It will encourage a less-informed debate in the media rather than any robust public debate of policy before such decisions become law. The globalisation of media means that Australian domestic issues also play to a global audience—the anger in India over a rise in violence against South Asian students in Melbourne is a recent example,\textsuperscript{86} and the same will be true of security policy. Governments with such translucent forms of sovereignty may find it more difficult to achieve consensus for any security policy within a contested information space than more transparent states.

**Wars Against Terror—Part of an Epochal War?**

The ‘Global War on Terror’ provides a contemporary challenge that market-state strategies will need to resolve in the long term. Although many commentators deny the existence of such a war, Bobbitt’s book *Terror and Consent* provides an alternative interpretation. He uses the slightly different term ‘Wars against Terror’ to describe united actions that counter or respond to phenomena such as globalised terror networks, the proliferation of weapons of mass destruction, crimes against humanity and humanitarian crises.\textsuperscript{87}

Bobbitt describes ‘Wars against Terror’ as being fought between ‘states of terror’ and ‘states of consent’. What he emphasises is the psychological element of terror—a state that upholds human rights and governs through consensual rule of law (a state of consent)\textsuperscript{88} cannot govern if its citizens are in a state of terror.\textsuperscript{89} The target of his ‘Wars against Terror’ includes the phenomena noted above which, if left unchecked, will prevent the rule of civil society. The end state of this war for states of consent (such as the United States, the European Union and Australia) will not be victory in a military sense but survival as states of consent. A preclusive strategy is therefore required that addresses vulnerabilities and mitigates those actions that create terror.\textsuperscript{90}

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\textsuperscript{85} Evans, ‘Constitutionalism, Bicameralism and the Control of Power’, pp. 5–11.


\textsuperscript{87} Bobbitt, *Terror and Consent*, p. 523.

\textsuperscript{88} Bobbitt, *Terror and Consent*, p. 523.

\textsuperscript{89} Bobbitt, *Terror and Consent*, p. 528.

\textsuperscript{90} Bobbitt, *Terror and Consent*, pp. 528—529.
Yet a state of consent that counters terrorist tactics with terrorist tactics of its own risks becoming a state of terror itself—a criticism levelled against the United States in response to its actions following the attacks of 11 September 2001. Due to the global and transnational dimensions of contemporary terrorism, a transformation of law and strategy is required if states of consent are to maintain their legitimacy. Bobbitt meanwhile argues that these wars might yet turn out to be the first stage of an epochal twenty-first century conflict.

Australia has been part of the Global War on Terror since it was announced as the US response to the terrorist attacks of 11 September 2001; and Australia’s security policies implemented since that time have been influenced heavily by the course of that conflict. This is especially so as regards Australia’s relationship with Indonesia, which has been seen closer security cooperation since the Bali bombings of 2002 and 2005, as well as the attacks in Jakarta in 2003 and 2004, leading to the ratification of the bilateral Lombok Treaty on Security Cooperation in 2008. The goodwill built through Australia’s assistance with disaster relief in Aceh following the 26 December 2004 Indian Ocean tsunami, and reciprocated by Indonesia after the Victorian Bushfires of February 2009, has also strengthened the relationship. During this same period, Indonesia has matured as a democracy, and now enjoys relatively uneventful presidential elections and smooth transitions of power. If the Australia-Indonesia security relationship is judged against Bobbitt’s conceptual ‘Wars against Terror’ conditions for ‘victory’—the preservation of states of consent—it might be judged as a relatively successful war of preclusion in the preservation of states of consent.

**Market-State Strategic Choices**

Bobbitt identifies three different styles of market-state strategies: entrepreneurial; managerial; and mercantile. An entrepreneurial market-state strategy is one that ‘attempts to improve its absolute position while mitigating the competitive values of the market through cooperative means’. Such a strategy will seek leadership by producing collective goods that are in world demand. A managerial market-state strategy is one ‘that tries to maximise its position both absolutely and relatively by regional, formal means (trading blocs etc)’. A managerial strategy will seek power for the state through hegemony within a regional group. Finally, a mercantile market-state strategy is one ‘that endeavours to improve its relative position vis-à-vis all states by competitive means’. Such a strategy seeks to achieve market dominance at the expense of other states.

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There are pitfalls with each strategy. Entrepreneurial states may seek to abdicate their leadership, leading to a withdrawal from the world, as was the case with the United States after the First World War. Similarly, managerial states risk the dilution of responsibility that is always present in cooperative systems—as was the case with the ASEAN states during the wars in Cambodia. Mercantile states risk retribution from other states, as nation-states did in the 1930s (deepening the Great Depression).96

Although it must be conceded that these definitions are general and do not adequately describe the complexity of policies pursued by modern states, Bobbitt suggests that the United States and the United Kingdom seem more disposed toward an entrepreneurial strategy, Germany and France to a managerial strategy, and Japan and China to a mercantile strategy.97 If ASEAN member states are considered nascent market-states, they might well evolve into managerial-style strategies in keeping with the traditions of their regional grouping, yet still dominated by Indonesia as the leading state within the group.

It can be seen therefore that the concurrent pursuit of different forms of market-state strategy in the Asia-Pacific region might prove a potential source of conflict as the world evolves into an order based on market-states. To date, the preponderance of overlapping regional groups, many based on less formal, consensus-building organisations such as ASEAN and the ARF, has brought together all major regional powers, regardless of their governance style. States that choose to remain outside rather than integrating into the system, such as North Korea, will remain problematic.

Even so, given the managerial characteristics of such a complex system of regional groupings, states such as the United States and perhaps Australia might find resistance to implementing entrepreneurial security strategies. This is even more so where these strategies clash with more mercantile approaches to security such as that pursued by China. The potential for interstate warfare will remain. If Bobbitt is correct about epochal wars, the Asia-Pacific region may see future conflicts between states as part of the transformation of law and strategy to determine the predominant form of market-state.

**Market-States and Asia-Pacific Security**

This section narrows the focus to Australia and examines how Australia needs to adapt its role in the security of the Asia-Pacific region. It begins with a discussion of Australian grand strategy before analysing how Australia has adapted to two main factors driving the transformation to a constitutional order of market-states in the Asia-Pacific region—globalisation and information warfare.

Australian ‘Grand Strategy’

Grand strategy is often left for historians to write about in retrospect, but now democratic publics are starting to expect articulation of a grand strategy prior to its implementation.88 Although Australia regularly produces White Papers, these do not necessarily articulate a coherent grand strategy. However, the Australian Strategic Policy Institute (ASPI), in the executive summary of its 2008 strategic assessment, argues that Australia’s grand strategy has not changed since European settlement, and essentially remains the pursuit of ‘a secure Australia in a stable, liberal, prosperous global order’.99 The means of how to achieve security for Australia has changed dramatically during the last two centuries; however there is little in Australia’s 2003 Foreign and Trade Policy White Paper, Defence White Paper 2009 or 2008 National Security Statement that is inconsistent with ASPI’s assertion of Australia’s grand strategy. Yet, statements in the White Paper such as ‘we have a deep stake in the maintenance of an Asian-Pacific regional security environment that is conducive to peaceful resolution of problems between regional countries’ and ‘Australia cannot be secure in an insecure world’100 do serve to reinforce ASPI’s strategic assessment. What needs to be examined is how Australia will pursue this grand strategy, as well as adapt to a changing world.

The 2003 Foreign and Trade Policy White Paper clearly identifies Australia as an outward-looking, globally-focused liberal democratic society that promotes political and economic freedom.101 It would seem therefore that an entrepreneurial style market-state strategy is best suited to such a worldview. However, until quite recently, Australia has been reticent to adopt a leadership role in global security matters, preferring instead a narrow geographical defence policy (particularly during the 1980s and 1990s), despite a long history of deploying forces in support of international obligations. In interventions where Australia has played a leadership role, such as East Timor in 1999 and in the Solomon Islands in 2003, the Australian Government has been reluctant to act without invitation by the host nation or through multilateral institutions such as the Pacific Islands Forum.102 For Bobbitt, these actions might be characterised as an entrepreneurial strategy with managerial characteristics. On the other hand, when Australia collaborated with its allies in the Gulf War of 1991, in Somalia in 1993, in Afghanistan since 2001 and Iraq since 2003, Australia has in fact displayed a medium power entrepreneurial strategy.

Michael Evans identifies an Australian historical ‘dissonance’ between a liberal outwardly-focused foreign policy and a narrow geographically-defined defence policy, concluding that the gap between theory and practice has impaired implementation of any strategy. 103 Such dissonance is described by Craig Snyder as oscillating between an ‘order-oriented’ approach aligned with the Department of Foreign Affairs and Trade and a traditional ‘threat oriented’ military policy favoured by the Department of Defence.104

During the mid-1980s and 1990s, the period of a dominant ‘Defence of Australia’ (DoA) policy, this dissonance resulted in a force structure that was poorly adapted to entrepreneurial-style deployments. The Australian Defence Force was poorly structured for the INTERFET deployment to East Timor in 1999,105 leading to serious questioning of the DoA.106 The most recent Defence White Paper 2009: Defending Australia in the Asia Pacific Century: Force 2030 points toward a more outwardly-focused defence strategy, but retains much of the DoA geographical conservatism of the past.107 Although the document articulates a broader approach to national security in tune with the Australian Government’s 2008 National Security Statement, a whole-of-government National Security Strategy remains an aspiration. Until such a strategy is articulated, it will remain difficult to judge whether Australian whole-of-government strategic policy is adapted to an age of globalisation, information and market-states.

Adapting to Globalisation
Once a state adapts to the globalisation ‘rule set’, it becomes a market-state, and Tewes has argued that Australia is already such a state.108 Australia’s development as a market-state can be judged by how well it has adapted to a globalised world and how it acts beyond its borders. As discussed, a nation-state tends to be self-contained with full sovereignty, whereas a market-state is inherently dependent on other states and needs to conform to common rule sets to enable transactions such as commercial, security and movement of people to occur in predictable ways.109

The key deliverables for a market-state are what Bobbitt terms ‘collective goods’, which he defines as ‘things of benefit to a society as a whole; to the society of states, such things as mutual security, public health, [and] stable environmental and economic relations’.110 The need for common rule sets and organising principles to

104 Craig Snyder in Michael Evans, ‘The Tyranny of Dissonance’, p. 86.
105 INTERFET was the Australian-led International Force East Timor.
106 Paul Monk, Australia’s Strategic Policy and Force Structure: The Emerging Paradigm Shift, edited version of address to the Sturdee Symposium on Australian Grand Strategy at the Royal Military College, Duntroon, Canberra, on 12 April 2005, pp. 3-4.
107 Department of Defence, Defence White Paper 2009, pp. 20-21 (outward focus) and pp. 53-57 (conservatism).
110 Bobbitt, The Shield of Achilles, p. 906.
enhance prosperity and security will drive market-states toward multilateralism and regional organisations. As discussed, Australia has a global focus, a strong commitment to multilateralism and support for the United Nations as is evident in its security and foreign affairs and trade policies, and therefore seems to conform to the core principles of the market-state.¹¹¹

The Defence White Paper 2009 reaffirms the US alliance as Australia’s most important defence relationship.¹¹² Bobbitt makes a case for the United States to pursue a global entrepreneurial strategy, arguing that the provision of ‘collective goods’ can provide states such as China, Japan and Western Europe with the security that might prevent dangerous ‘balancing’—a nation-state tendency that arguably led to both world wars of the twentieth century.¹¹³ Bobbitt argues that since the United States is the state with the military power and resources to address the proliferation of weapons of mass destruction, global terrorism, crimes against humanity and humanitarian disasters on a global scale, other states are, at best, regional powers. He qualifies this claim by arguing that while none of these issues can be resolved without the United States, it cannot solve them alone.¹¹⁴

Australia’s historic actions in concert with the United States support this idea. Australia has justified its security policies through a combination of traditional nation-state methods (such as UNSC Resolutions in support of the 1991 Gulf War) and, more recently, with market-state methods (using entrepreneurial reasoning in its support of the US-led intervention into Iraq and in the Australian intervention of the Solomon Islands). Such a combination of methods should be expected during transformation. Australia therefore seems well prepared for a market-state global order based on a pre-eminent United States.

Adapting to Information Age Warfare
The United States has led the world in the development of Information Age warfare, deploying an impressive array of advanced sensors, guided conventional weapons, and computer and space-based information systems. The effect of this transformation in warfare has meant a shift to a higher tempo of operations on the battlefield and an intrusion of warfare into the information dimension.¹¹⁵ Such a shift has resulted in a much higher information density demand to support smaller numbers of deployed forces. This has increased force effectiveness in combat, but also contributed to a more diffuse battlespace and created vulnerabilities in the supporting critical infrastructure.¹¹⁶

As noted earlier, Australia has begun recognising the importance of cyberspace and of the need to improve its cyber-warfare capabilities. However, the penetration of warfare into the information space means that the battlespace transcends the

¹¹⁴ Bobbitt, Terror and Consent, p. 487.
¹¹⁵ Waters, Ball and Dudgeon, Australia and Cyber-Warfare, p. 37.
¹¹⁶ Waters, Ball and Dudgeon, Australia and Cyber-Warfare, p. 97.
territorial distinctions of areas of operation. In addition to the traditional media, news of conflicts are delivered to the public through new media in the form of mobile devices and Internet-based distribution systems such as blogs, ‘Twitter’ and social networking websites.

The general public in the market-state have an aversion to casualties and an intolerance of human rights violations. Yet these are easily exploitable by adversaries who have proven much more adept at taking advantage of the new media than governments. Such a contrast is readily apparent in Israel’s Gaza campaign of 2008–2009, when images of civilian casualties broadcast to a global public by new media from Gaza undermined the Israeli Defence Force’s efforts to control the flow of information.117

The wresting of first impressions reporting from the traditional press to individuals has democrtised the information space, but has also complicated the problem of maintaining information dominance for policymakers and warfighters. Australia has lagged in adapting to warfare in the information space compared to other middle powers and the United States, and maintains a more traditional, reactive public relations approach. The tempo of the battle for ideas demands a more agile approach. Domination of the information space is vital in a war of preclusion such as the ‘Global War on Terror’, where the delivery of collective goods depends on the consent of a media-savvy domestic and global public. Although the Defence White Paper 2009 foreshadows a force structure better adapted to the Information Age, the intellectual and organisational force structure that works inside the information space also requires reform.

Australia’s Security Policy and the Future Asia-Pacific Region
As argued above, Australian ‘grand strategy’ seeks a stable and prosperous Asia-Pacific region—an objective reflected in its security policy. Australia has embraced globalising concepts, multilateralism and the importance of the United Nations, as well as aligning itself with the United States as its primary security partner. Less clear is how effective Australia’s national security strategy will be as the Asia-Pacific region transforms into an order based on market-states.

The means for resolving security problems has changed since the end of the Cold War. Hard power is less effective and cooperative techniques are necessary to address non-traditional threats. Two potential sources of conflict that are relevant to the future Asia-Pacific region and Australia’s pursuit of its grand strategy deserve attention: First, the future global role of the United States; and, second, globalisation as a driver for interconnectedness and fragmentation.

The United States remains the most credible global leader and has been a guarantor of security in the Asia-Pacific region since the end of the Second World War, most

notably through its system of ‘hub and spokes’ alliances.\textsuperscript{118} However, the effects of
the proliferation of nuclear weapons, transnational threats, a globalised economy and
modern communications have undermined traditional hard power and nation-state
strategies. Globalisation has also played a role, having assisted in the rise of states
such as China and India and of dangerous non-state actors such as Al Qaeda. The
result is a diffusion of power in two directions, both away from the United States and
toward other states and non-state actors.\textsuperscript{119} This will magnify the need for other
states aligned with the United States, such as Japan and Australia, to play a more
prominent role in global security, as well as an increasing requirement to build
greater security consensus among Asia-Pacific states. Australia’s willingness to
provide security, economic and other collective goods in the South Pacific and South-
East Asia, as well as further abroad, will complement US strategic interests in the
Asia-Pacific region. This will bolster the US-Australia alliance and help counter the
diffusion of power into the market-state era.

The second issue to be considered is globalisation as both a facilitator of increasing
interconnectivity and a source of fragmentation. In the Asia-Pacific region,
globalisation has enhanced the growth of many Asian economies, particularly in East
Asia and South-East Asia.\textsuperscript{120} A proliferation of multilateral organisations has
enhanced cooperation and growth in these regions,\textsuperscript{121} although the performance of
these organisations in the security domain is contestable. ASEAN’s preference for
non-binding consensus and non-interference is the subject of frequent criticism,\textsuperscript{122} but
may also be a symptom of a rise in nationalism accompanying the growth in power
of Asian states.\textsuperscript{123} This might lead to the first source of fragmentation—the failure to
resolve security issues through institutions, increasingly aggressive nationalism and
resistance to post-modern concepts of sovereignty. This would present a dangerous
outcome for the Asia-Pacific region.

A second source of fragmentation associated with globalisation is identity conflicts.
The globalisation of economic, political and human affairs can create conflict among
groups at a local level by threatening their identity.\textsuperscript{124} Such an issue can be of
concern even inside advanced market-states. In the Asia-Pacific region, such
conflicts have tended to break out in weaker states in areas such as West Papua and

\textsuperscript{118} Barry Desker, ‘New Security Dimensions in the Asia Pacific’, Institute of Defence and Strategic
Studies Working Paper No. 145, S. Rajaratnam School of International Studies, Singapore, 29 October
2007, pp. 7–8.
\textsuperscript{119} Lyon and Leah, Global Jigsaw, pp. 4–5.
\textsuperscript{120} Lyon and Leah, Global Jigsaw, pp. 28–36.
\textsuperscript{121} In 2007 there were 562 multilateral dialogues. See Japanese Centre for International Exchange,
‘Overview Report 2007’, Inventory of Multilateral Meetings on Asia Pacific Security and Community
2009.
\textsuperscript{122} Simon Sheldon, ‘ASEAN and Multilateralism: The Long, Bumpy Road to Community’,
\textsuperscript{123} Lyon and Leah, Global Jigsaw, pp. 28–29.
Pakistan. The potential for such conflicts in the region will be an ongoing security concern. Further, the delivery of collective goods in the form of a stable South Pacific and East Timor is acknowledged as a core task in the Defence White Paper 2009.

The future Asia-Pacific region is likely to constitute a complex mixture of state types, featuring a combination of advanced market-states such as Australia and Japan. Both are interconnected states balancing nation-state notions of sovereignty with the openness required to achieve greater prosperity and stability. The region will also feature weak and fragile states and states with opaque forms of sovereignty such as North Korea and Burma and, to a lesser extent, China and Vietnam.

The majority of Asia-Pacific states will continue to be concerned with improving their prosperity. In future, nation-state concepts and jealous preservation of hard-won sovereignty by newer and recently developed states (such as ASEAN countries) will likely coexist with globalised market-states such as Australia. The development of competing forms of market-states in the Asia-Pacific region may also develop into a source of conflict, particularly if powerful states such as China pursue mercantile-oriented security policies that clash with the more entrepreneurial policies pursued by the United States and its allies. Such a trend could lead to a revival of dangerous interstate warfare, or even a lower-key Cold War-style epochal struggle to determine the dominant form of the market-state.

**Conclusion**

The world is currently undergoing profound transformation to a new form of statehood called the market-state. Such a state seeks to maximise the benefits enjoyed by all members of society, rather than acting as an instrument to serve the welfare of the nation. A new global order based on market-states has yet to emerge, but this transformation has commenced and is led by the most advanced and powerful market-state, the United States.

The nation-state methods of using international institutions and hard power have proven incapable of addressing the new security challenges driving this transformation. New methods of authorising the use of force need to be developed, and Bobbitt makes a strong case for a system based more on precedents and case studies, in support of recognised standards of behaviour, than an overarching system of international law.

Bobbitt identifies three possible market-state strategies: entrepreneurial; managerial; and mercantile. In the security dimension, an entrepreneurial strategy seeks to improve a state’s absolute position while mitigating competition through cooperation. Other states in the region seem more predisposed to managerial strategies, preferring to seek absolute improvement and relative hegemony inside a block by working through regional groups. However, other states in the Asia-Pacific

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125 Lyon and Leah, *Global Jigsaw*, p. 3.
region may pursue mercantile security strategies, where they seek to improve their relative position against all states. The danger for the Asia-Pacific region is that a clash of market-state strategies may become a future source of conflict between states, complicated by rival concepts of sovereignty and identity conflicts.

Another danger is the diffusion of power in the region. Globalisation has enabled the rise of China and India, which has decreased the relative strength of the United States. At the same time, it has also enabled the diffusion of power away from states into the hands of non-state actors, including corporations, non-government organisations and global terror networks.

Australia’s prosecution of a war of preclusion against terrorism domestically and in the region has helped forge a closer relationship with Indonesia as its most important regional neighbour. The delivery of collective goods within the near region and further abroad are signs of an entrepreneurial market-state strategy, although one that has yet to be articulated in a coherent national security strategy.

Australia does however seem less well-adapted to the dynamics of Information Age warfare. Although the future force structure provides for cyber-warfare capabilities, smarter weapons and sensors, and a more whole-of-government approach to domestic and global security is gradually emerging, efforts to exploit the penetration of warfare into the information space have lagged, particularly since the rise of new media. A more agile approach to information operations is required to enable policymakers and the military to prevail in battle inside the information space. As more power moves into the hands of private industry and non-state actors, the non-territorial information space is already becoming as important to warfare as the real world.

Australia’s more robust force structure foreshadowed in the *Defence White Paper 2009* is a sensible hedging strategy. As well as enhancing self-reliance, this should enable Australia to complement an entrepreneurial US strategy in the Asia-Pacific region, which will be even more important as the United States’ hegemonic power becomes more diffuse into the future. As the future of the Asia-Pacific region unfolds and a transformation to a global order of market-states progresses, an enhanced security strategy adapted to globalisation and the Information Age will prove a vital asset.
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