Navigating Uncertain Times:  
the need for an Australian ‘grand strategy’

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Uncertain times

The world currently faces a complex and challenging security environment. While it could be said that the world has always faced a difficult and demanding security situation, the number, diversity and magnitude of the current challenges have the potential to radically change the current international order in an enduring way. Perhaps it is the most challenging security environment since the end of World War 2, because of the large number of both traditional and non-traditional security threats, accompanied by difficult governance circumstances.

There are a number of key pressure points, at play simultaneously, that have the potential to seriously destabilise and potentially re-design the current world order. The first is the rise of China, with the shift in the balance of power manifesting itself in tensions in the South China and East China Seas over territorial and maritime boundary claims. The second is the crisis in the Ukraine as Russia resists Western influence on its borders, indicating that Europe is not immune to the threat of nation-state aggression, with profound consequences for the European Union and NATO. The third is the civil wars in Iraq and Syria, as part of a larger failure of the ‘Arab awakening’ and the transfer of radical Jihadism from South Asia to the Middle East. The fourth is the recent fighting between Israel and the Palestinians, suggesting that no sustainable peace will be possible in the current circumstances. The fifth is the ongoing threat of nuclear proliferation in Iran and further developments in North Korea. Lastly, non-traditional security threats are ever present, such as the Ebola pandemic in western Africa, as well as cyber security, water security and climate change concerns.

These challenges are manifesting themselves in many guises. The world has enjoyed an absence of violent great power rivalry and widespread conflict since the end of the Second World War. However, the international system that has overseen this remarkable period of stability is now under threat. The basic unit in the international system, the nation-state, is being subject to a number of pressures. Weak states either cannot control their territory—and are being subject to sectarian and ethnic conflict that threatens their existence—or they are fostering rampant nationalism and encouraging historical enmity that is straining relationships.

The situation is made even more complex by the economic weakness affecting the Western world since the global financial crisis. Additionally, there are broader concerns with the debt and dysfunction of many democratic governments, with some commentators predicting that political decay will lead to disorder on a scale that will result in unstable, destitute and fractured societies. Democracy is in decline, and some commentators assess that the world has entered a period of ‘radical uncertainty’.

The impact on Australia

Australia, as a liberal democratic middle power, is not immune from these global trends and threats. Indeed, the events described above are directly affecting Australia. As a middle power, Australia is heavily reliant on the free market global economy and the security arrangements that support prosperity and stability. There is real concern that Australia’s period of relative affluence and stability is about to end and that more difficult economic and security times are ahead. The rise of China and the relative decline of the US have also led some commentators to predict that Australia will eventually face a dilemma of choice between its closest security partner, the US, and its largest trading partner, China.

The international order that has overseen great stability and prosperity in much of the world since 1948 now stands at a turning point. Many nation-states are weakened, the global economic system is fragile and liberal democracy is in need of overhaul. Australia, as a middle power in this international system,
is both strong and vulnerable. Global economic and military power is shifting from the Atlantic to the Pacific, and Australia needs to adjust.

**An Australian ‘grand strategy’**

This article argues that Australia, as a middle power, needs a revised and formal ‘grand strategy’ to ensure that it navigates the current and future domestic and international environment using all the elements of national power in a sustainable and cogent way to achieve its desired ‘ends’.

This grand strategy must strive to build national power in a way that will allow Australia to positively influence the regional and global environment, consistent with Australia’s national interests. While it must be proactive, it needs to set realistic goals for a ‘middle power’ and be flexible enough to deal with the unexpected. Importantly, it must clearly prioritise what is most important to Australia so that scarce and valuable resources can be applied skillfully and not squandered.

‘Grand strategy’ is defined by Colin Gray as the ‘purposeful employment of all instruments of national power’. Such a strategy is important for a nation as it states a clear goal and aligns resources to achieve that goal. The discipline of devising and articulating a grand strategy requires our leaders to think about the big picture, the long term, and obstacles in the way of achievement. A grand strategy should also provide the context and logic that justifies difficult decisions and ensures a coordinated approach and, most crucially, its integrated implementation. Grand strategy is not a military formulation; it is the responsibility of statesmen and -women.

In 2012, the then Australian Prime Minister released the *Australia in the Asian Century* White Paper. This White Paper was a ‘plan to build on our strengths and shape our future’. Its stated aim was to ‘secure Australia as a more prosperous and resilient nation that is fully part of our region and open to the world’. The paper, however, was criticised for its lofty rhetoric, apparent inconsistencies and lack of resources. Its focus was also almost exclusively internal, making no statement of the type of region or world that Australia seeks. With the election of the Abbott Government in 2013, the *Australia in the Asian Century* White Paper was ‘consigned to history’ and has not been replaced.

More generally, some commentators have assessed that Australia has been pursuing a ‘hedging’ strategy, albeit unstated, since the end of the Cold War. Certainly, Australia has actively pursued and supported an open and integrated global and regional political order through bilateral and multilateral forums such as the UN, APEC, ASEAN Regional Forum, the East Asia Summit and the G20. Australia has also sought to strengthen the Australia-US alliance and upgrade its strategic links with Japan and South Korea. Concurrently, Australia has also been very supportive of China’s involvement in regional structures. Australia has also pursued much-needed upgrades to its military forces, particularly air and naval capabilities. Collectively, it can be argued that these efforts constitute a ‘hedging’ strategy. That is, Australia is ‘hedging’ against increasing strategic uncertainty in the region by ‘soft balancing’ (seeking to have the US and China as active participants in regional and global institutions), while at the same time ‘external balancing’ (by improving its alliance relationship with the US and other allies and partners in the region) and ‘internal balancing’ (by improving domestic military capabilities in the event of conflict).

Such a strategy may well have been effective for Australia until now. However, this article contends that the pace of change in the global economic and security environment, and the current and potential future difficulties being faced by governments world-wide, including Australia, means that this traditional approach needs to be reviewed. A more formal and publicly-endorsed grand strategy is needed.

The first step is engagement with the people of Australia. There must be a public narrative that informs the Australian people of the complexity, fragility and potential threats evident in the current international system. Much of the Australian public is aware of the crises and developments occurring around the world but it may not be cognisant of their combined direct and indirect impact on Australia. Additionally, the public may not have made the link between the fragile external environment and the need for domestic reform to ensure that Australia, as a nation, is best prepared for both opportunity and uncertainty.
Broadening the level of public debate is essential so that the Government can take the necessary actions to navigate these uncertain times with transparency and understanding. The best way to do this would be via a White Paper, articulating Australia’s grand strategy to address the current domestic, regional and international environment. The desired end-state would be public support, commitment and legitimacy.

At the heart of the White Paper would be a clear statement of what Australia seeks which, by definition, must be proactive, not reactive. The aim should be for Australia to be domestically strong and seek and support a stable international system, based on the rule of law and an open and free economic trading system. This would be achieved by a three-pronged strategy: ‘to build, bridge and balance’.

**Build capacity and capacity to build**

Australia must first focus on its domestic capacity. This involves building and improving Australia’s political, economic and social solvency. Without these three fundamental capabilities, Australia will not have the national power or ‘means’ to shape the regional and international environment in pursuit of its interests or ‘ends’.

The first priority must be political cooperation. Governments must be able to govern. But increasingly in Australia, entrenched partisan positions are preventing the government-of-the-day from pursuing its agenda. In the words of Paul Kelly, ‘Australia risks heading to a new status as a stupid country—a nation unable to solve its public policy problems and, even worse, a nation incapable of even conducting a public debate about them’.21

Fault lies on all sides. But it is salutary to be reminded that many of the important economic reforms of the 1980s occurred with bipartisan support.22 Prime Minister Abbott has stated that he intends to become a more inclusive and more consultative leader, and the Labor Party has mostly offered bipartisan support for a number of recent national security measures.23 Debate on reform should continue but it should focus on what type of reform—and not reform *per se*.24

The second is ongoing economic growth and reform. The Australia economy is in need of reform if it is to maintain the prosperity that Australians have enjoyed over the past two decades.25 Structural change in the Australian economy is required to rein in the deficit and make industry more competitive in a challenging international environment. This requires bipartisan support for the budget and an open approach to the reform needed in areas such as the federation, tax, health, education and the pension age.

The third is social cohesion. Australia’s multicultural society and immigration policies have been a very effective social construct and have delivered economic growth and development. But Australia must not expect that multiculturalism will automatically lead to social cohesion without community effort and understanding. The radicalisation of Australian Muslims is a real threat.26 Concerted and targeted policy must address this issue. English, education and employment are the start but specific policies need to be developed and implemented that reach out to young Muslims and counter any sense of alienation.27

Australia needs political progression, economic reform and social cohesion to ensure that it can maximise its national power and take steps to shape its external environment. The first step in achieving a grand strategy for Australia is to ensure that it is governed well, economically strong and socially cohesive.

**Bridge the divide and cross the bridge**

The complexity of the developing geostrategic environment means that strategic choices will not be binary or exclusive. Australian policy makers will be presented with decisions on relationships with and among states that encompass cooperation, competition, independence and interdependence.28 ‘Bridging’ can be defined as reaching out to other regional and like-minded nations to pursue common interests.

Bridging aims to address strategic uncertainty and the competition between nations through promoting confidence-building measures, interdependence, partnerships and collective responses to areas of mutual opportunity or concern. The aim of the bridging aspect of Australia’s grand strategy is to promote cooperation between nations and prevent competition from becoming conflict.29 Australia’s focus should be regional—but not neglect global forums—and should highlight diplomatic and economic means.
Australia has very well-established diplomatic and economic links in the region and they need to be strengthened with key countries and multilateral bodies. Most importantly, Australia's relationship with Indonesia needs to be improved. Indonesia's transformation to a vibrant democracy has been truly impressive. It is a middle power on a growth trajectory to great power status. However, Australian-Indonesian business links have been weak and mutual public perceptions have at times been poor. The economic, security and strategic potential of a close relationship between the two countries is considerable, and Australia should seek the opportunity to elevate its relationship to a fully-fledged strategic partnership as soon as possible.  

Australia should also seek to strengthen and broaden its ties with China. As Australia's largest trading partner, Australia's economic well-being is directly linked to further growth in the Chinese economy. Australia's relationship with China is already dominated by these economic links with much mutual benefit. Other aspects of the relationship could be strengthened further. This deeper relationship could also serve to 'reassure' Australia of China's intent to pursue 'peaceful development' and commitment to the core principles of the current world order. That is not to say that as power shifts, the world order does not need to change. But the key tenets of the current world order do not necessarily have to change as the world order takes on an Asian view.  

The region is already well served with multilateral bodies. The ASEAN Regional Forum, APEC, the East Asia Summit and associated bodies all address issues of shared interest. There does not need to be additional forums. However, increasing the capacity of the Department of Foreign Affairs and Trade to support them would strengthen Australia's efforts and increase its influence. Many of these regional bodies have been criticised for producing little in the way of concrete outcomes. However, as more global power increasingly shifts to the region, Australia should be prepared to offer whatever assistance is needed to increase the capacity of these organisations to resolve what will likely be increasingly complex and important issues.

The close connections between security and economics must be leveraged in the current environment. Bilateral and multilateral trade agreements need to continue to be pursued both regionally and globally to stimulate economic growth and improve security. The Trans-Pacific Partnership—a pluri-lateral trade agreement involving the US, Japan and ten other countries, including Australia, that together account for a third of world trade—could become one of the world's most expansive trade agreements. Not only would arrangements such as this accelerate trade, when globally it is in decline, but also enhance the security outlook as countries increase their interdependence.

Australia should also act to support and improve confidence-building measures further afield. While Australia's closest neighbours and the countries of the Indo-Pacific are of great importance to it, developments outside this region will also influence Australia's interests. Developments in the Americas, Europe and Africa have always had an effect on Australia, hence Australia should be prepared to constructively engage in global forums that shape international actions in these areas.

The most effective means to achieve this is to engage creatively and expansively with those nations and multilateral forums that have shared interests with Australia. In this way, proactive attempts can be made to shape an international system that is based on the rule of law, is stable and has an open and free economic trading system.

Balance the scale

'Balancing' can be defined as the preparations that Australia will make, and actions that it may take, as a status quo middle power, to support the maintenance of the key attributes of the current world order. Whereas 'bridging' is about cooperative pursuit of common interests, 'balancing' is about the capabilities, preparations and actions that may be needed if the key attributes of the current order are not being adhered too or are being ignored, and the scale of Australia's national interests demands action.

It is reasonable to expect that rising powers will legitimately attempt to influence the international system in their interest. It is also to be expected that other powers may resist this attempt to re-distribute power. As power recedes in some areas, other actors may seek to fill that void and, while this may not be of key importance to all, it may be to Australia. Any such interplay could see competition tip into
conflict—and not necessarily between great powers. Balancing, both internally and externally, is designed to deter conflict or, if necessary, defeat an adversary.

Australia has a broad range of security capabilities that can be employed to defend Australian territory and its national interests. Over the past decade and a half, successive Australian governments have invested in enhanced military, police and intelligence capabilities. As a country with a small population, Australia seeks to have a technological edge over most other militaries in the region. However, Australia will need to keep regularly investing to maintain this capability edge. Australia has deployed the ADF and police into its immediate region a number of times of the past 15 years to stabilise and build order to good effect. Consequently, Australia’s immediate region is more stable than many. However, as Peter Jennings has reiterated, instability can emanate far from one’s own shores.

Australia has been deepening its relationship with its major security partner, the US, and also other allies of the US. Intelligence arrangements, an emphasis on interoperability, exercises and operational deployments in the Middle East, as well as basing arrangements under the US ‘pivot’, all ensure a close relationship and contribute to US engagement in the region. As asserted by Andrew Shearer, Australia’s close relationship with the US advances Australian strategic interests and balances against growing strategic uncertainty.

Of course, China has legitimate and growing interests in the Indo-Pacific region. These interests and expanding engagement do not mean that China wishes to fundamentally change the current tenets of the world order. Indeed, China has been at pains to declare its aim of peaceful development, which is reassuring. Moreover, this question may not even be relevant if China’s growth plateaus and the US economy picks up, as is currently forecast. And while there is strategic competition between the US and China, there is also much cooperation and a high degree of economic interdependence. Australia is managing its relationship with each of them well and must continue to do so.

In summary, this proposed grand strategy for Australia seeks to ensure that the fundamental principles of the current world order—rules-based, stable and an open market—endure as power shifts towards Asia in the international system. It would achieve this by building domestic capacity, strengthening regional and broader relationships and, lastly, preparing to act directly when key Australian national interests are impacted or threatened.

**Setting the course**

The world is at an inflection point. China is rising, Russia is re-asserting itself, and the schism between Sunni and Shiite is widening. The future of the US is uncertain as it emerges from multiple crises. The balance of power in the existing world order is shifting. At the same time, the world economy is struggling and democracies are experiencing difficult governance circumstances. However, it is not yet clear how far the balance is shifting and what the consequences will be for the current rules-based, stable and open free trade order. In the words of President Obama:

> The central question of the global age is whether nations [have] moved forward in a spirit of mutual interest of respect, or descended into the destructive rivalries of the past.

This article has argued that this period of ‘radical uncertainty’, as termed by Drezner, calls for a formal Australian grand strategy. It has argued that Australia, as a middle power, needs a new strategy to navigate the current and future domestic and international environment. Such a grand strategy must harness all the elements of national power, the ‘means’, in a sustainable and cogent ‘way’ to achieve its desired ‘ends’. The current reactive and hedging approach will not adequately navigate Australia through the coming challenges.

The key tenet of the proposed grand strategy is ‘for Australia to be domestically strong and to seek and support a stable international system based on the rule of law and an open and free economic trading system’, based on a three-pronged strategy ‘to build, bridge and balance’.

This article has argued that the government must engage the people of Australia with a convincing narrative detailing the complex, fragile and uncertain global environment. The narrative needs to include the rationale for a revised national approach and what it means for all Australians, detailing the
challenges, the tools and the way forward, to ensure that Australia navigates these changing circumstances as effectively as possible.

To build national capacity, the Federal Parliament must find ways to better cooperate and improve governance. There is a desperate need for economic reform to address the structural deficit and increase productivity. Social cohesion must be supported by targeted policies to prevent the further alienation and radicalisation of young Australians.

Australia must also ‘bridge’ with like-minded countries to mutual benefit. Collective effort, either on a bilateral or multilateral basis, must be sustained or strengthened to address common issues. The Department of Foreign Affairs and Trade should be better resourced to facilitate the best use of diplomatic and economic power. A strategic partnership with Indonesia should be pursued quickly to the benefit of both countries. Australia must also support free trade and economic arrangements that will stimulate economic growth and improve security. While these ‘bridging’ actions should primarily be focused on the region, Australia should also continue to proactively support global forums and multilateral initiatives which complement Australia’s national interests.

Finally, the article has argued that Australia must be able to ‘balance’ when the key tenets of the current international system are threatened. It is crucial that the Australian Government continues to invest in military, police and intelligence capabilities—and is prepared to use them as the national interest requires. Australia’s relationship with the US must be maintained and its relationship with China strengthened.

The future is more uncertain than it has been for a generation. Australia needs to realise that the current tenets of the world order may not endure and that the alternative would likely be inimical to Australia’s interests. Australia must chart a careful course through these changing times. A formal grand strategy in the form of a White Paper will provide the plan needed to navigate this course. In this way, Australia can adjust to the changing domestic and geostrategic circumstances, support the maintenance of the key attributes of the current world order, and be secure and prosperous into the future.

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10. Australian Government, Australia in the Asian Century, p. iii.


16. Shearer, ‘Changing Military Dynamics in East Asia’.

17. Paul Kelly, ‘Federation is a dog’s breakfast but country is mired in deadlock’, The Australian, 29 October 2014.

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