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Global jigsaw

ASPI's strategic assessment 2008

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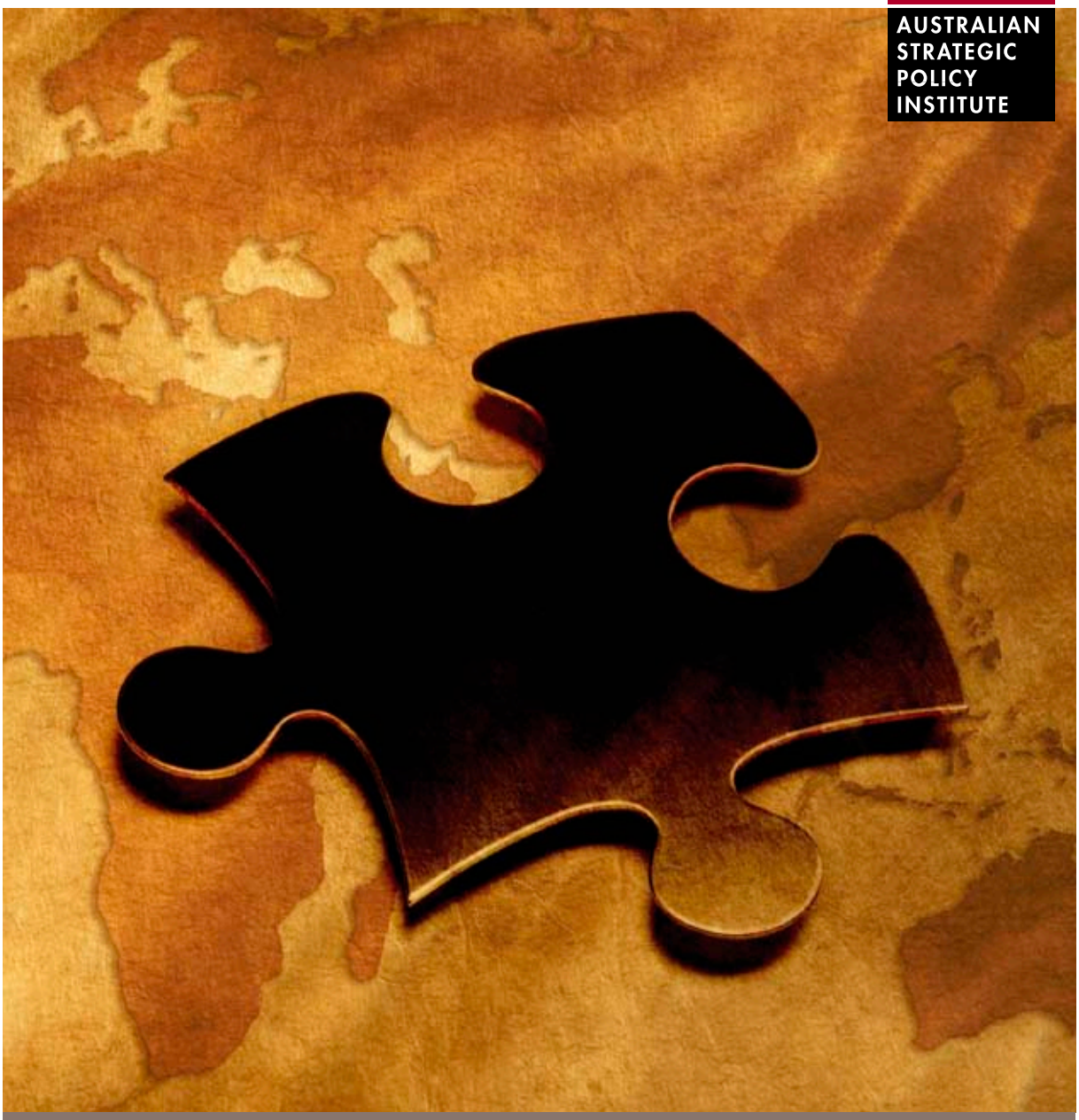

October 2008

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Cover image: Jigsaw piece on map. © Gary S Chapman/Photographer's Choice/Getty Images

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Executive Director's introduction

This review is one of a number of publications that ASPI is publishing this year as a contribution towards enhancing public debate on strategic issues during the drafting of the Defence White Paper. It outlines one view of a complex global security mosaic—the global 'jigsaw', we have called it—and assesses what that environment means for the strategic challenges that Australia must confront in coming decades.

This paper is not ASPI's version of the White Paper: it is a different sort of exercise, aimed at exploring issues of grand strategy. Indeed, this publication, like all ASPI publications, in a strict sense does not even offer an 'ASPI view': the opinions and judgments contained in it are those of the individuals most closely associated with its production, and should not be taken as those of ASPI as an institution. Several of ASPI's staff contributed to the final product, as did a range of outside commentators who kindly provided feedback on earlier drafts. Rod Lyon, the director of our Strategy and International Program, and Christine Leah, one of our research staff, remain the principal authors. I know they would like to join me in thanking all those who provided contributions, and ASPI's administrative and production staff for their usual sterling efforts.

We trust readers will find the paper offers useful insights, and we hope it encourages a broader and richer debate about Australian strategy in a changing world.

Peter Abigail
Executive Director

Executive summary

- Australian grand strategy has not changed since white settlement. We have always sought a secure Australia in a stable, liberal, prosperous global order.
- Our challenge in 2008 is to pursue that objective in a world of power shifts, greater interconnectedness, and contracting strategic geography.
- The US is our ally, and will remain so. We are not looking for another ally. But we will increasingly be looking to supplement our alliance with a broader set of cooperative arrangements with partners and friends.
- The Asian security environment poses special problems, in particular the construction of a regional security order in which the Asian great powers are genuine security contributors.
- Australia will increasingly find long-term strategic partners in Southeast Asia, where strategic stability has improved markedly over the past forty years. But we must learn to take in our stride the challenges posed by the South Pacific, where stability has declined substantially over the same period.

Global overview

Assessments

- The US will remain the global leader at least for the next 20–30 years, but its global leadership role will be more contested. New power centres are growing, resulting in a gradual relative dilution of US influence.
- Globalisation is still driving, simultaneously, forces of integration and fragmentation.
  - 'Interconnectedness' is not merely a force for good in the world.
  - Globalisation is a powerful driver of identity conflicts, in places as diverse as West Papua, Pakistan and Algeria.
- Power is diffusing in the current international system, but in different ways. A set of rising powers—including China and India—is reconfiguring strategic relativities among the system's major players, while a broader diffusion of power away from nation states is strengthening the hand of many non-state actors. Moreover, the ways in which power is used are changing.
- The current international system seems not to include revisionist great powers (that is, powers that are unsatisfied with the state of the international order, and which seek to fundamentally revise the strategic system underpinning that order by acting in a destabilising manner). Revisionists still exist in the world, but at the micro-strategic level rather than the macro-strategic.
  - Russia, the primary revisionist great power of yesteryear, does not seem keen to return to that role.
  - But its recent actions in Georgia show that Moscow remains keenly aware of the political utility of military force—for coercion, intimidation and active intervention in the near abroad.

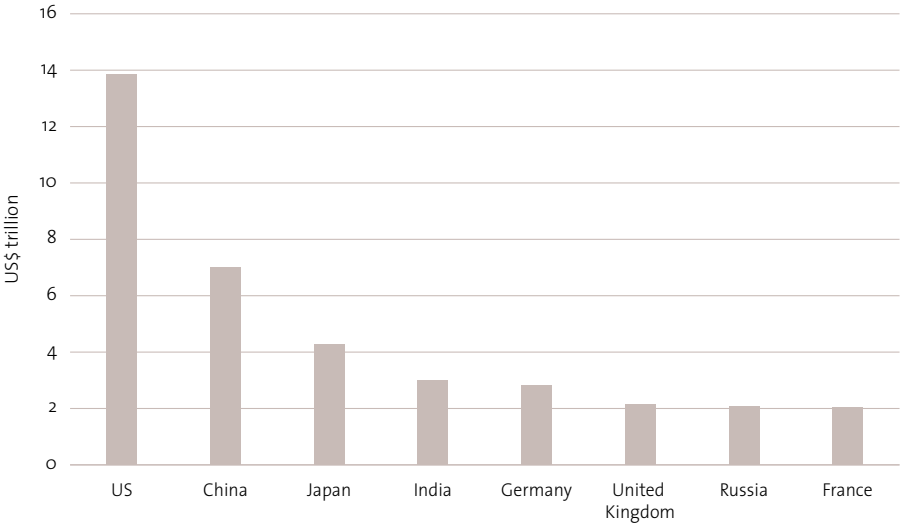
- Any increasing tension between great powers would—as in the Cold War—likely be bounded both by nuclear deterrence and by other pressures for continuity in the current international system. But we can't rule out the possibility of future great-power war; in particular, we can't rule out the possibility of another 'cold war', or a limited war fought 'under' the nuclear umbrella.
- A number of undercurrents complicate the global strategic environment, including demographics, energy issues, environmental pressures and technology concerns. For example, in coming decades we face a world of unexplored demographic terrain: a growing global population, 'feral' cities, the ageing and (in some cases) contracting population of Western societies, and serious sex imbalances in large Asian states. Many of the undercurrents may spur substantial population movements, especially towards the more advanced economies best placed to weather the transitional pressures of a changing world.
- We face, too, a world of increasing resource competition, although probably not actual resource wars (most resources are not easily controlled over the long term by military force). Almost half the world's population lives in states that have come late to industrialisation but are now growing rapidly.
- This is a world in which Australia will have to work harder and with a wider range of partners—not all of them states—to achieve its strategic objectives.

Previous Australian Defence White Papers have seen globalisation as a force for good, nurturing a degree of international interdependence and supporting the condition of US primacy to help pull the world along a stabilising, developmental trajectory.

The global security environment is characterised by a complicated mix of trends, including US pre-eminence, the growth of other power centres (especially among Asian countries and the resource-rich), the enhanced interconnectedness of globalisation, and the empowerment of small groups. Even allowing for its current financial difficulties, the US remains by far the world's strongest single actor, with a US$13.8 trillion economy in 2007 (see Figure 1), robust military forces and a nuclear arsenal. But other power centres are rising, China, India and the European Union among them. Russia has made at least a limited return to the international stage, keen to restore a global position it lost back in 1989. And, as global interconnectedness grows, even quite small groups are better able to act at global range, whether for good or ill.

Previous Australian Defence White Papers have seen globalisation as a force for good, nurturing a degree of international interdependence and supporting the condition of US primacy to help pull the world along a stabilising, developmental trajectory. But that judgment has long been only partly true: globalisation has fragmenting as well as integrating qualities. Modernity is not always a welcome commodity. Globalisation has brought questions of identity to a head across large swathes of the world, stirring deep layers of political and social disagreement.

Figure 1: GDP figures for 2007 of major world economies (US$ trillion, purchasing power parity)



Source: CIA World Factbook

The diffusion of power is already being felt at the global level. The pattern of diffusion is complicated: power is diffusing from the US towards other states, from states towards non-state actors, and from traditional instruments of state capacity towards a broader spectrum of means of exerting influence. China and India are clear examples of the first sort of diffusion; al-Qaeda and Médecins Sans Frontières are among the direct beneficiaries of the second. The third form of diffusion shows up in the sudden interest in new ways to exert leverage ('soft power', 'smart power', 'sticky power', 'sweet power' and so on) and is a reminder of the concerns that comprehensive challengers might cause to Western global leadership.

Power is flowing away from states, even as states continue to compete traditionally with each other for influence. That flow is occurring in conjunction with the rise of new issues in which non-state players have greater leverage. To some extent, states are outsourcing security, certainly in the more marginal areas of their strategic concerns. New actors are becoming more important and might well be catalysts for new forms of 'proxy' conflict. This shapes how we'll think about politics—and war—in the future.

A series of important global undercurrents—demographics, energy issues, environmental pressures, and information and technology concerns—complicate the broader picture. For example, the world has now moved away from its traditional high fertility – high mortality demographics. The change has been felt most profoundly among advanced Western societies. Global population is still growing: projections are for it to be 7.9 billion by 2025 and 9–10 billion by 2050 (UN 2007). But growth won't be spread evenly across the globe: more than 95% of it will be in developing countries. Globally, half the population is under the age of thirty. In sub-Saharan Africa, half the population is under the age of twenty: it's a region of teenagers (Population Action International 2007). In some Western societies, previous years' low fertility rates have already resulted in both shrinking national populations and a reshaping of the age profile away from the classic pyramid, with implications for welfare spending and economic growth.

For the first time, urbanisation is producing a situation in which most people live in cities. The UN estimates that by the end of 2008 half of the world's 6.7 billion people will live in urban areas. Asia and Africa are where urban population growth is likely to be most concentrated in coming decades. Only 40% of China's population now lives in cities, but that proportion is expected to grow to 70% by 2050 (UN 2008). The 'strategic' role that burgeoning cities might play in global politics is uncertain. In Western countries, strong national forces have traditionally kept city-based uprisings in check, such as in Paris, Berlin and Vienna in the 19th century. But with the growth of megacities (cities with a population of more than 10 million) and other large cities across much of the developing world, the city may be returning as a strategic unit as important as the state in some regions.

Finally, we seem to be headed into an era of prolonged resource competition. With demand for key resources increasing, the era of cheap resources looks as if it's over. As a resource provider in a resource-hungry world, Australia will likely do well from that growing demand. But as particular resources come to have greater strategic significance, tensions over access to them can be expected to intensify. Some analysts speculate about 'resource wars' (Klare 2001) and 'the return of Malthus' (Moller 2008), but the point at which resource competition becomes resource conflict is probably still distant. If it isn't, Australia will have to take more seriously the protection of its own resource endowments, including 40% of the world's uranium reserves.

The United States

Assessments

- The US is under pressure on a number of fronts. It needs to define a new moral vision of its global leadership, to cope better against attacks from asymmetrical opponents, and to find instruments that deliver better outcomes for global and regional security. It needs, too, to find a long-term cure for its current straitened financial circumstances: financial strength is a pillar of political and strategic strength.
- The US faces an international security environment in which its primacy is unrivalled but its influence is not—a condition we might describe as 'non-hegemonic primacy'—and in which a growing number of other players can 'win' without US support.
- The new president will inherit a difficult mix of challenges: hot wars, international terrorism, shifting great-power relativities and financial turmoil.
  - Obama may attempt to move beyond current 'partisan' global divisions, in the same way that he's tried to move beyond such divisions in the domestic arena.
  - McCain's administration would think of Australia as a natural partner, but could face deep internal divisions between its realist and neoconservative components.
- The US remains Australia's principal ally, and we're not seeking another. Security partnerships that we might build elsewhere, especially in Asia, will supplement the ANZUS alliance, not replace it.

US grand strategy is likely to remain uncertain in an uncertain world. Bush's successor will struggle to add much clarity to the odd mixture of primacy, realism and liberal internationalism that has characterised US grand strategy since the end of the Cold War. American exceptionalism and American interests will unite to keep the US engaged in the world.

But a plethora of traditional and non-traditional challenges will confront the US in its global leadership role, magnifying the difficulties confronting a nation of 'reluctant crusaders'.

The US is still uncertain about which instruments offer best leverage in the shifting global security environment. Hard power (specifically, the use of military force) has become more controversial after the Iraq intervention, but Western soft power also faces an increasing range of challengers, especially given the rise of new economic powers, new media (such as the internet) and new media players (such as al-Jazeera) that retail competing narratives to the world. Western ideas are still attractive to global audiences, but not so attractive as to provide us with an automatic pathway to a convergent 'end of history' world.

Washington, like Canberra, is interested in partnerships that will cope effectively with 21st century challenges. Allies would be unwise to believe they can rest on their laurels.

The most recent US National Defense Strategy highlights uncertainties in Washington, even about hard power approaches. It argues for a continuing emphasis on the dangers arising from unconventional warfare, suggesting that the US strategic establishment is now locked into a serious debate over the relative strategic weightings to be allotted to conventional and unconventional threats. That debate is merely part of a broader one, within the US and beyond it, over the style and content of US global leadership in a world of power diffusion. Both the narrower debate about the use of military force and the broader debate about US leadership will continue into the post-Bush era. Both debates will have implications for existing US alliances, including the ANZUS alliance. Washington, like Canberra, is interested in partnerships that will cope effectively with 21st century challenges. Allies would be unwise to believe they can rest on their laurels.

The strategic consequences of the recent crises in US credit markets have yet to play out. At one level, they suggest a weakening of US economic instruments—and influence—over the next five to ten years. But the crises have also prompted a broader slowing of the global economy, so America's geopolitical competitors might not be able fully to exploit that window of opportunity.

Warfare

Assessments

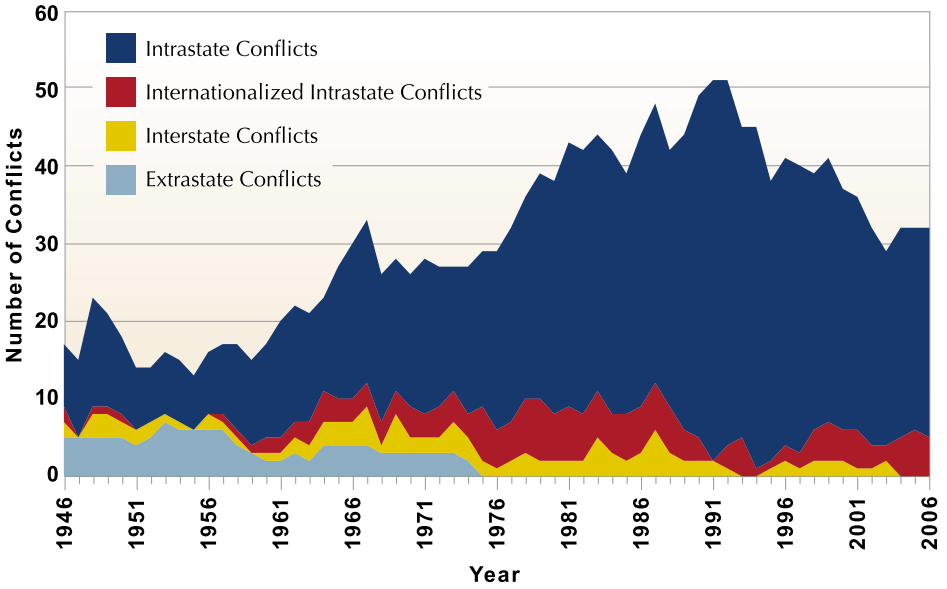
- Under the Westphalian system of international relations, great-power wars have often become systemic wars (that is, wars over 'who runs the system'). There have been nine such world wars since the late 15th century (Levy 1983). If we include the Cold War as the most recent, the last 'great-power war' ended less than 20 years ago. Future great-power wars, even 'cold' ones, would be fought for similarly high stakes.
- So inter-state warfare might return to greater prominence in the next 20–30 years as US domination of the international system weakens. Moreover, many states in the developing world have only lately acquired high-tech conventional military kit, and security dilemmas and localised arms competitions might result in increased inter-state tensions in several regions.
- But we're currently in a period in which great-power war doesn't seem likely, and even inter-state war now accounts for only a small fraction of conflicts. Over recent decades, the great majority of conflicts have been either civil wars or ethnic wars. Such conflicts seem likely to remain prevalent in coming decades. The International Institute of Strategic Studies lists on its Armed Conflict Database about 400 sub-national entities that present challenges to the political and territorial integrity of states.
- Regardless of whether inter-state conflicts escalate, Western countries will continue to be threatened by foes waging asymmetrical forms of warfare. Asymmetrical opponents will continue to bring 'primitivism' back to warfare, and to stretch the spectrum of tasks that modern Western militaries must perform, often simultaneously, to include warfighting, peacekeeping, stabilisation and reconstruction.

- Robert Gates's warning about succumbing to 'next war-itis' is timely (Gates 2008): we need to avoid rushing off to plan the war we would prefer to fight tomorrow rather than addressing the war we have to fight today. Great-power conflict is unlikely, and asymmetric conflict highly likely, in the next decade or two. Indeed, in a 'power diffused' world, we have to treat the more likely threat as the more important one.

As a matter of simple statistics, inter-state wars, while often the most important sort of conflict, are only a small fraction of total conflict.

On almost no important point of strategy has the debate been more intense since 9/11 than it has on the shape of future warfare. As a matter of simple statistics, inter-state wars, while often the most important sort of conflict, are only a small fraction of total conflict. The growth of intra-state conflict has been especially marked in recent decades; see Figure 2. The great bulk of recent conflict involves civil wars and ethnic clashes, both of which can be remarkably protracted and produce frighteningly high death tolls. As political power moves away from states, so too does war. One effect of the shift might be to dilute the importance of nationalism as a driver of conflict. States are starting to 'partner' with non-state actors in wars (such as with the Northern Alliance in Afghanistan), and they now declare 'war' on non-state actors (such as al-Qaeda). Warfare is losing its classical inter-state shape.

Figure 2: State-based armed conflicts by type, 1946–2006



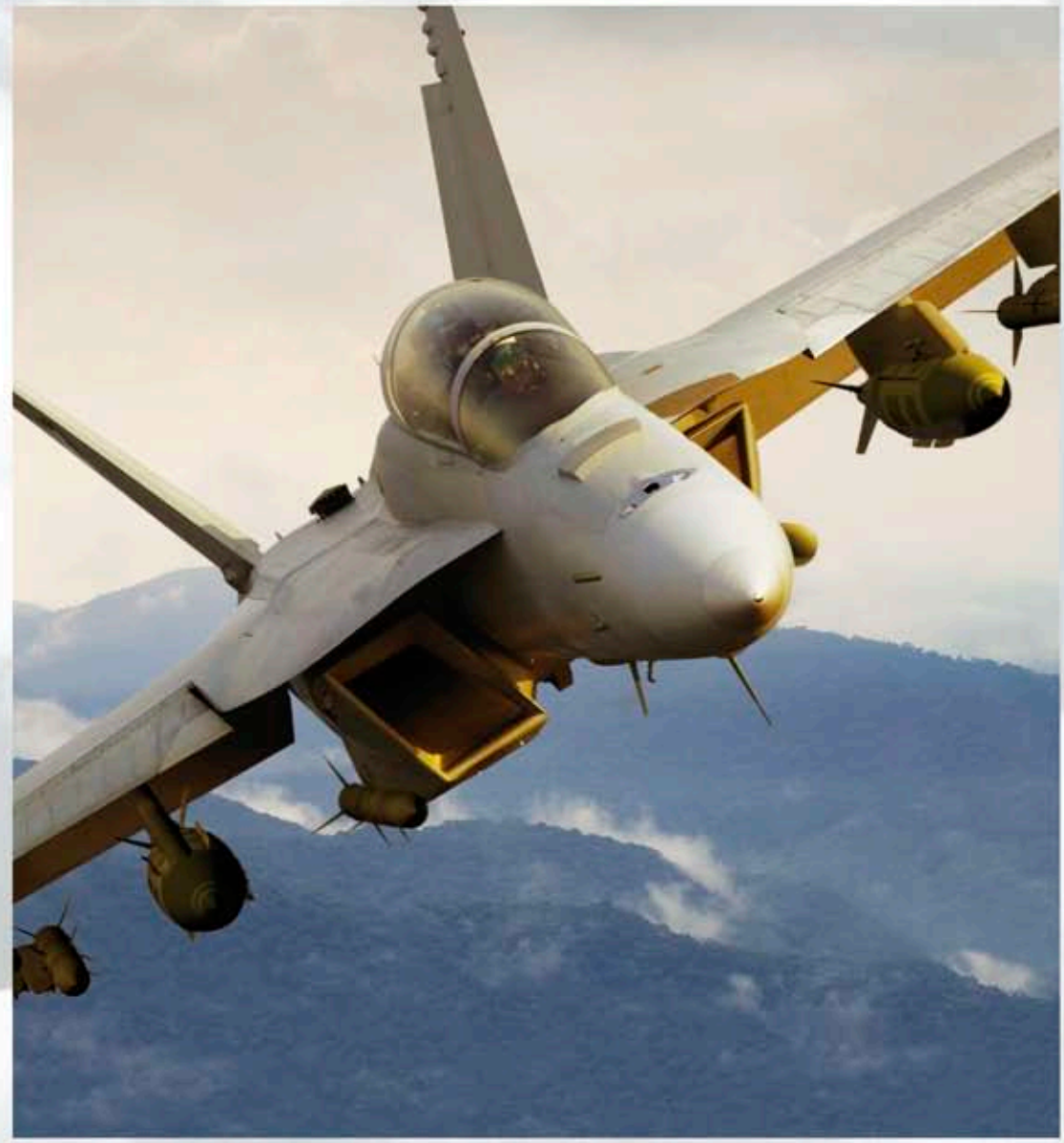
Source: Human Security Brief 2007, Simon Fraser University, p. 33

The trend has been magnified because the international system currently lacks revisionist great powers. And, while some great powers might become more revisionist as their power grows, there's no direct correlation between the growth of national power and increased revisionism. Mao's weak China, for example, was much more revisionist in its outlook than is Hu Jintao's current, more powerful, China.

Adversaries of the US have found that their principal advantages often lie in the more primitive forms of warfare—crude, bloody, and characterised by insurgency and indirect battle.

While nuclear deterrence has helped to support stable great power relationships, Western superiority in high-tech conventional forces has helped to shift the conflict spectrum towards more asymmetric forms of warfare. Adversaries of the US have found that their principal advantages often lie in the more primitive forms of warfare—crude, bloody, and characterised by insurgency and indirect battle.

One of our problems lies in trying to build strategies on the basis of the likelihood of certain types of conflict. Unlikely conflicts might well be more strategically important than likely ones: for example, great-power wars or major perturbations in the international system would have more serious effects on Australia's security interests than would most civil wars. But likely forms of conflict—civil wars, ethnic conflicts, transnational terrorism—can still generate powerful ripples. The Bolshevik Revolution did; so did the civil war in China in the 1930s and 1940s. How would we view a civil war tomorrow in nuclear-armed Pakistan? Or in oil-rich Saudi Arabia?



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Proliferation of weapons of mass destruction

Assessments

- Continuing proliferation of nuclear weapons poses a strategic concern of the highest priority.
- Analysts now predict one of two futures:
  - 'Proliferation optimists' argue that the spread of nuclear weapons has been well contained. They suggest that five countries (India, Pakistan, Israel, North Korea and Iran) were always the central worries in relation to the Nuclear Non-Proliferation Treaty and its future (Gallucci 2007).
  - 'Proliferation pessimists' argue that we may be approaching a nuclear 'tipping point' (especially in the Middle East and Northeast Asia) that will see many more countries attempting to cross the threshold (Campbell et al. 2004).
- Even the optimists continue to be genuinely worried about proliferation: first, because latency (the ability to build weapons) is growing within the system; and second, because fissile materials (or worse, functional nuclear weapons) might leak to terrorist groups.
- The tipping-point world is much scarier. We would see an abrupt increase in the number of nuclear-armed states. A world with many nuclear states would be one of nuclear imbalances, ambiguous red lines, and greater opportunities for the leakage and sale of both weapons and fissile materials.
  - Furthermore, we don't believe that the 'extended nuclear deterrence' guarantees offered by the US to its allies under its traditional Cold War alliances would remain credible in that world.
- The proliferation of biological weapons, chemical weapons and ballistic missiles generates a raft of second-level concerns.
  - About a dozen countries are alleged to have chemical weapons (or offensive chemical warfare programs); perhaps a similar number are said to have biological weapons (or offensive biological warfare programs). About two dozen have ballistic missiles.

Two broad schools of thought posit different trajectories for the future of nuclear weapons proliferation. The first school—the proliferation optimists—argues that the spread of nuclear weapons has been relatively contained, at least compared to President Kennedy's 1962 prediction that there would be from fifteen to twenty nuclear weapons states by 1975. They argue against a new 'wave' of proliferation, and note that Iran and North Korea are not new problems. They point out that recent nuclear programs in those states have depended on limited capabilities, and that the number of states operating full fuel cycles (including reprocessing plutonium, enriching uranium, or both) is still extremely low.

... we may be approaching a nuclear 'tipping point', where even a slow increase in the number of nuclear weapons states is likely to challenge the rationale for adhering to the treaty, and to prompt other states to reconsider their nuclear identities.

The proliferation pessimists, on the other hand, focus on threat perceptions rather than on existing capabilities, particularly the threat perceptions generated by shifting global and regional security dynamics. A maverick nuclear weapons state, however nascent, generates concerns among its neighbours. And the broader shift of strategic relativities now underway, especially in Asia and the Middle East, might well motivate more widespread reconsideration of the nuclear choices that most states made at the time of the 1968 Nuclear Non-Proliferation Treaty. In short, we may be approaching a nuclear 'tipping point', where even a slow increase in the number of nuclear weapons states is likely to challenge the rationale for adhering to the treaty, and to prompt other states to reconsider their nuclear identities.

Most states continue to adhere to the treaty and its provisions for a number of reasons, including the international 'norm' against proliferation. But how many, and which, states would it take to reverse the norm and to create the impression that nuclear weapons are appropriate—indeed, 'normal'—features of the 21st-century strategic landscape? In a normative sense, proliferation by Iran and North Korea reinforces the belief that only 'rogue' and 'irresponsible' states proliferate, thus further strengthening the taboo against going nuclear. But in a strategic sense, because of their geography and ambiguous strategic postures, those states could prompt a re-evaluation of the nuclear identities of, for example, Egypt, Saudi Arabia, Turkey, Japan and South Korea. Sunni Arab states would fear an Iranian bomb. While Asia–Pacific strategic stability has so far been strong enough to absorb the strategic shocks generated by Chinese, Indian, Pakistani and North Korean proliferation (so that no US ally has so lost confidence in the US extended nuclear deterrence arrangements as to follow the French across the threshold), we're uncertain how long that confidence will last.

Moreover, overt crossings of the nuclear threshold might not be adequate indicators of the broader proliferation problem. To some extent, focusing on them misses a key point: latency, or a state's technological and industrial capacity to build a nuclear bomb. Even without starting nuclear weapons programs, more states are acquiring the capacity to proliferate

more readily if they decide to do so. In short, nuclear latency is increasing within the current system and, as latency increases, the problem of illicit nuclear trade is likely to grow. The covert activities of the AQ Khan network—a network devised by Pakistani nuclear scientist, Abdul Qadeer Khan, to retail nuclear technologies to willing purchasers—seem only to have been the tip of an iceberg, the full dimensions of which we don't yet understand. The Khan network is still largely intact, and reaches across many countries (CEIP 2007).

Can terrorists build the bomb? The ability of non-state actors to produce a functional nuclear weapon remains extremely limited. Some states might be willing to transfer nuclear weapons to non-state actors, but that would be a dangerous enterprise: publicised advances in nuclear forensics could 'attribute' a nuclear explosion to a particular country's arsenal. Perhaps transnational nuclear smuggling networks could provide a weapon, but their access to genuine weapons and actual fissile materials seems poor. Paul Woessner's chronology details 750 incidents of smuggling of nuclear-related materials, but the great bulk of those cases involved materials that were not related to nuclear weapons (Woessner 1997). Still, to a terrorist, what constitutes a 'nuclear' weapon? Any explosion that generates strong radioactive residues might be enough to play on public fears. Radiological devices, using conventional explosives to scatter radioactive materials around, are much more likely terrorist weapons in the next decade or so than atomic or thermonuclear devices.

... if deterrence is a declining strategic asset, so is extended nuclear deterrence—the doctrine under which the US nuclear arsenal 'protects' Western allies.

Taking into account increasing latency, illicit nuclear trade, the 'tipping points' and the terrorists, it's likely that we face a long-term future with more, rather than fewer, nuclear-armed actors. In such a world, we're concerned about whether deterrence will be as effective a constraint on nuclear use as it's been in the past. And, if deterrence is a declining strategic asset, so is extended nuclear deterrence—the doctrine under which the US nuclear arsenal 'protects' Western allies.

Chemical

The US Congressional Research Service estimates the number of chemical weapons states to be about twelve, with the potential to grow with the proliferation of knowledge and innovation in technologies and engineering (Kerr 2008: Summary). Even so, chemical weapons are central to no country's arsenal. Their use seems to have peaked in World War I, now nearly a century ago. As with biological weapons capabilities, the proliferation of knowledge, technology and engineering relating to chemical weapons production and dissemination increases the threat posed by non-state actors. The 1995 sarin gas attacks against Japanese commuters by Aum Shinrikyo demonstrated the ability of non-state actors to create chemical weapons, albeit on a limited scale. In 2004, Jordanian officials claimed to have thwarted an al-Zarqawi network cell chemical attack in Amman. And Jemaah Islamiyah in the Philippines is also suspected of harbouring such ambitions.

Biological weapons

It's relatively easy to obtain a basic biological agent, but weaponising it and dispersing it effectively to cause mass casualties is much harder. Despite those difficulties, many analysts maintain that the threat of a biological weapons attack against the US remains significant. Al-Qaeda and its affiliates are known to have actively sought biological weapons for use against Western polities.

The problem of latency is even more severe in the biological sciences than in the nuclear. Knowledge and innovation in bioengineering are dispersing as fast as the field is advancing. The US Central Intelligence Agency has noted several important trends generating conditions conducive to the spread of biological weapons:

- Advances in biotechnology are creating new agents.
- More states are becoming self-sufficient in bioengineering and reducing their dependence on foreign imports.
- The dual uses of bioengineering make it easier for states to conceal clandestine activities related to biological warfare.
- Scientists with experience in biological warfare technologies are a highly mobile labour force (Kerr 2008: 17–18).

Delivery systems—ballistic missiles

Publicly available estimates of which states have ballistic missiles vary wildly, but the data suggests that the number has risen from nine in 1972 to about two dozen in 2008, including North Korea, Iran, Saudi Arabia, Syria and Libya. Most possess only short- or medium-range missiles, but the technology seems to be spreading. Multilateral institutions aiming to curb the spread of such capabilities include the Missile Technology Control Regime, the Hague Code of Conduct, and the Proliferation Security Initiative. Those regimes essentially attempt to control the 'supply' side of the proliferation equation; but are only a partial solution to the problems generated by the 'demand' side.

Terrorism

Assessments

- A certain form of terrorism—catastrophic terrorism of global reach—has established its claim to be treated as a serious strategic concern, and this cannot now be reversed.
  - Catastrophic terrorist attacks are of strategic importance to Australia and not merely to others.
- The relatively slow tempo of major terrorist events—in part a consequence of the proactive (and protracted) campaign against the most prominent terrorist groups—has seen the War on Terror shift back from its initial heavy military focus towards a more balanced effort involving military, law enforcement, intelligence and development assets. Still, that doesn't mean we're near the end of the 'Long War'.
- An important debate has recently occurred between two prominent Western analysts (Bruce Hoffman and Marc Sageman), who disagree over whether the al-Qaeda terrorist threat is still organisationally coherent. We believe it is, but that 'homegrown' terrorism is an increasing worry.
- The Middle East, Afghanistan and Pakistan will remain important arenas of Western strategic engagement against global terrorist groups for many years to come, as we attempt to dilute radical Islamic extremism and reduce extremists' access to state-based resources.
- Europe is more likely to be the target of jihadist plots than the US or Asia, but extremist groups have a powerful incentive to conduct 'spectacular' attacks in the US.
  - The Australian homeland will remain a difficult target, but some terrorist groups are still motivated to attack us as opportunities to do so arise.
  - Australians travelling abroad, especially in Europe or to Muslim countries, will continue to be at greater risk than Australians staying at home.

- Recent work by Audrey Kurth Cronin, focusing on how terrorism ends, seems to suggest that al-Qaeda will not be ended by the removal of Osama bin Laden, nor by military repression, nor by the group's achievement of its objectives, which are so grand as to be beyond achievement (Cronin 2008).
  - Some al-Qaeda affiliates might be split off by negotiations, but this scarcely seems likely to be a successful strategy for countering al-Qaeda Central.
  - Al-Qaeda might lose some degree of support through its own follies, especially if Western counter-terrorist policies are adept at exploiting such errors to delegitimise the organisation.
  - Alternatively, al-Qaeda might seek to transform its own terrorist campaign into a broader strategy of insurgency, or even inter-state war. It has already prompted two conventional wars.
- Australian counter-terrorist strategy should include serious efforts to negotiate with al-Qaeda affiliates where possible, and to delegitimise the organisation among its own natural base of support.

By attacking Western homelands, the fourth-wave terrorists pose a challenge to the security order that can't lightly be ignored.

The events of 11 September 2001 showed that some terrorists—'catastrophic' terrorists, or what David Rapoport terms 'fourth-wave' terrorists (Rapoport, 2004)—are a strategic concern for Western countries. 'Catastrophic' terrorism is defined here in line with Ashton Carter and William Perry's definition: 'acts that are an order of magnitude more severe than "ordinary" terrorism and are unprecedented outside of warfare' (Carter and Perry 1999: 150). By attacking Western homelands, the fourth-wave terrorists pose a challenge to the security order that can't lightly be ignored. Indeed, the events of 9/11 might have opened a new chapter in strategic history, within which dominant Western states will have to worry about the strategic threats posed by some distant non-state actors, even as they continue to worry about the more traditional strategic agenda of power fluctuations and the use of conventional military force.

An increasing fraction of Western publics—including Australia's—think the War on Terror is almost over: they think the passing of George W Bush's administration in the US and a rising level of discontent about the name 'War on Terror' are indicators of a looming strategic shift in global priorities. No such shift is imminent. The enabling environment will remain robust (Smith 2008). The struggle against global terrorism will endure for many years to come. True, military force cannot finally 'win' the battle against terrorism because it can't address the political grievances that underpin terrorist causes. Much the same point could have been made during the Cold War: that military force could not solve the ideological differences between the superpowers. Still, military force will continue to play a role in the struggle against terrorists.

A recent RAND study has concluded that military force tends to be most effective when terrorist groups resemble large, well-armed and well-organised insurgencies (Jones and Libicki 2008). More frequently, terrorist groups end as a result of policing and intelligence operations, or cooption of the terrorist group into the political process. In a study of how 268 terrorist groups 'ended' between 1968 and 2006, the RAND analysts found that policing and political cooption accounted for over 80% of the cases. While the struggle against al-Qaeda will continue to include a military component, a final victory probably can't be won on the battlefield.

The operational tempo of major terrorist attacks is too slow for terrorism to be the sole focusing lens for strategic effort.

We will be fighting the War on Terror (under whatever name) while a host of other issues also clamour for attention. The operational tempo of major terrorist attacks is too slow for terrorism to be the sole focusing lens for strategic effort. We need to put in place good systems that minimise the terrorists' chances of success and still have resources left over to deal with other priorities. The problem is that terrorists seem to be adept at exploiting ungoverned spaces, and we're relatively poor at transplanting our preferred forms of governance to those spaces.

Hardest to manage will be the challenges that radical jihadists bring to the Middle East, Pakistan and Afghanistan. Those challenges can't be met solely by military means; there are sharp developmental and political problems that must be addressed there. The Bush administration was wrong to believe that the terrorist problem could be solved by rapid democratisation in the Middle East, but it was not wrong to believe that some degree of political reformation must be part of the solution to the Middle Eastern generators of terrorism. And the same is undoubtedly true in Pakistan and Afghanistan. Beyond the Middle East and western Asia, terrorist threats are greater in Europe than they are in the US or Australia.

In coming years, we'll also be trying to 'unbundle' the different challenges to our security in order to see each of them more clearly. The War on Terror became the flavour *du jour* after 9/11, and the effect was to conflate several problems under that banner. But international relations scholars are still struggling to find a better shorthand description of the current international security environment. The 'War on Terror' title doesn't capture the sort of multidimensional security challenges the globe now faces. Some are now saying that the world is still in its long 'post-Cold War' phase, and has yet to settle into a new pattern.

The Bruce Hoffman–Marc Sageman ongoing debate about the terrorist threat has recently roiled the waters of Western strategic thinking. Hoffman argues that al-Qaeda is still the principal terrorist agitator, with an identifiable leadership and geographic centre of gravity (Hoffman 2008). He concedes that terrorist organisations today have more diffuse structures, are less organisationally cohesive, and are amorphous, operating on a linear rather than hierarchical basis. Their aims and goals, as well, seem more ambiguous. He argues, however, that this structural devolution of al-Qaeda is merely an adaptive mechanism. Al-Qaeda has become something of a franchise, and represents a potent ideology and source

of inspiration. He cites Director of National Intelligence Mike McConnell: '... al-Qaeda's central leadership based in the border area of Pakistan is its most dangerous component' and its members in Iraq have been dispatched 'to establish cells in other countries'.

Sageman says the principal threat now stems from informal, localised, unconnected and self-radicalised terrorist groups:

> The present threat has evolved from a structured group of al Qaeda masterminds, controlling vast resources and issuing commands, to a multitude of informal local groups trying to emulate their predecessors by conceiving and executing operations from the bottom up. These 'home-grown' wannabes form a scattered global network, a leaderless jihad. (Sageman 2008: vii)

For Sageman, al-Qaeda Central has receded in importance. The key methodology in studying terrorism is determining how people influence each other to become terrorists. And he emphasises the role of the internet in facilitating the 'democratisation' of terrorism, and self-radicalisation.

We judge that al-Qaeda remains organisationally coherent, and that Pakistan is the 'finishing school' for the modern terrorist. That said, the terrorist problem is complicated by the increasing presence of home-grown terrorism, the roots and scope of which we don't yet understand well.

Iraq and the Middle East

Assessments

- The 'surge' has transformed the Iraqi security landscape: the problem is to lock down the gains and to continue to grow 'political space' for Iraqis. Despite recent signs of political reconciliation, it's not obvious that Iraqis share a common vision of the future.
- The Sunni tribes have effectively split from al-Qaeda in Iraq, but now probably expect in return some restoration of their former position of political dominance. Substantial numbers of Sunni militants have been recruited by the coalition, and are now better armed and equipped than they were previously.
- The al-Maliki government has taken the war to the Shia militias, especially in Basra and Sadr City, but remains comparatively weak. Indeed, leadership remains an important issue in Iraq's future.
- Higher oil prices are compensating for difficulties in increasing oil production, but aren't producing a new, stabilising, middle class in Iraqi society.
- Regional neighbours, while they welcome a stable Iraq, still harbour their own preferences for specific outcomes there.
  - The prospect of a more autonomous Kurdistan in northern Iraq makes Turkey more interventionist in Iraqi politics.
- Any US withdrawal from Iraq will be measured, and will still leave in place substantial numbers of US forces and contractors for years to come. Not to do so would encourage intervention by the neighbours.
- Across the broader Middle East, three important trends are underway: the shift of strategic weight from the Mediterranean to the Gulf; the empowerment of irregular military forces; and growing tensions between Sunni and Shia.
  - Iran draws strength from exploiting all three trends.
  - We remain uncertain about what a durable regional security order in the Middle East will look like.

- Australia will feel the strategic effects of the Iraq War for some years to come, in the ongoing distraction of its major ally, in the tensions around the Gulf region, and in the possibility that a major conflict in the Middle East might yet result, with Iraq at its core.

The calculated gamble that President Bush undertook in January 2007 has paid off. The 'surge' has bought a window of opportunity, within which various political settlements can be reached to try to lock in its main achievement: reduced overall levels of violence (see Figure 3).

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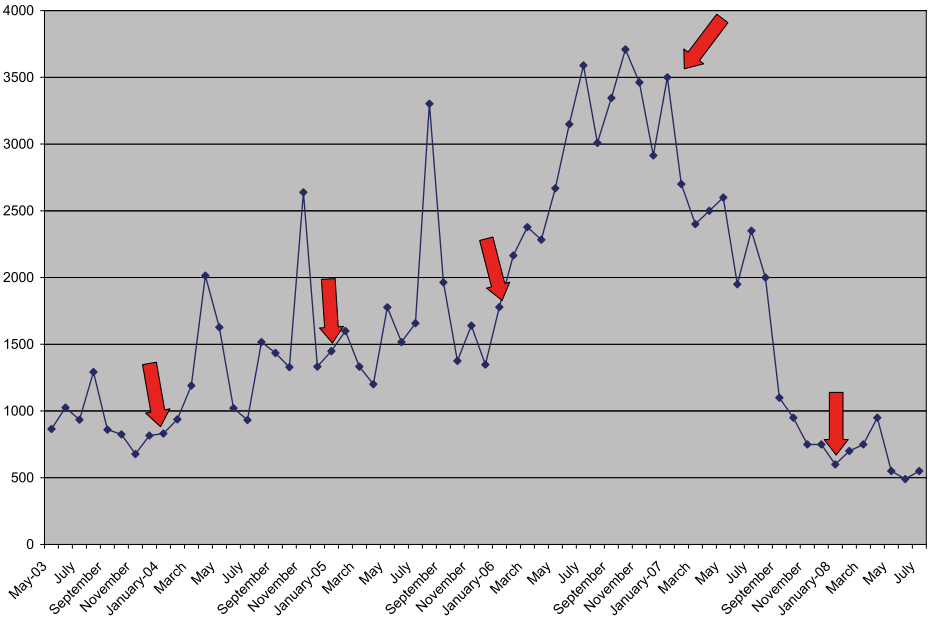
But the situation within the country remains comparatively fragile. Indeed, to make the surge work, the US has essentially moved past the al-Maliki national government to coopt the Sunni militias and employ them as 'tribal forces'. The effect has been to put about 100,000 Sunni militants on the US payroll and to increase the basic military strength of the Sunnis vis-a-vis the Shia majority. Meanwhile, the government has been attempting to quell rivalries within the Shia community with a series of interventions against armed Shia militias in Basra and Sadr City.

Figure 3: Estimated number of Iraqi civilian fatalities by month, May 2003 to August 2008



Note: The arrows signify the start of a new calendar year.

Source: Michael O'Hanlon and Jason Campbell 2008, Iraq Index: tracking variables of reconstruction and security in post-Saddam Iraq, 28 August 2008, *Brookings, p. 4.*

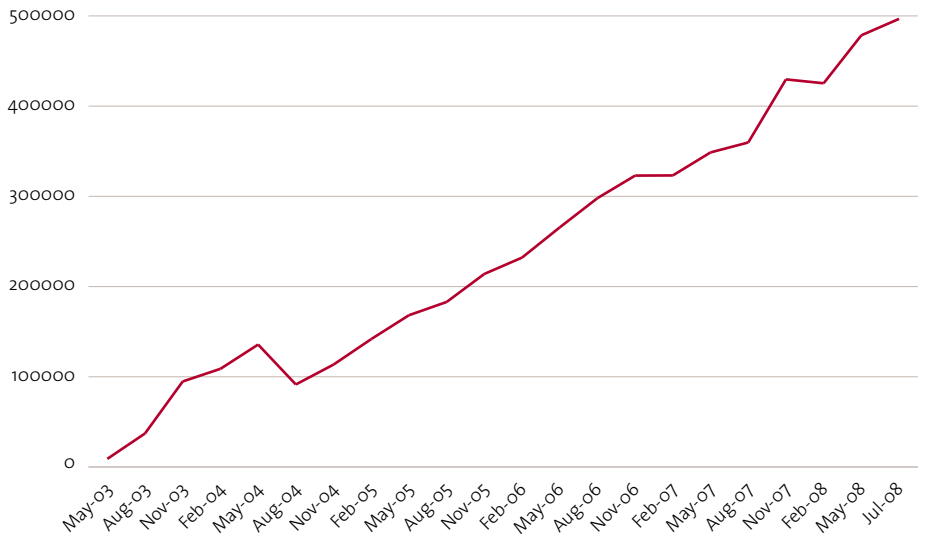
Sectarian divisions remain potent political forces in Iraq, and it's uncertain whether those forces can be managed without a sizeable external intervention force. Even a degree of federal partitioning of the country might not guarantee stability: for one thing, it would increase Turkish worries about Kurdish support for the Kurdistan Workers' Party (the PKK) within Turkey.

The withdrawal of the coalition force from Iraq can only be done in a careful and measured way, and must reflect both the growth of Iraqi political stability and the emergence of Iraqi security forces able to manage security challenges on their own (see Figure 4). Despite the recent draft agreement between the US and Iraqi governments outlining an aspirational vision of full US troop withdrawal by 2011, it seems likely that there will still be tens of thousands of US forces—plus substantial numbers of contractor personnel—in Iraq when the 2012 US presidential elections take place.

The withdrawal of the coalition force from Iraq can only be done in a careful and measured way, and must reflect both the growth of Iraqi political stability and the emergence of Iraqi security forces able to manage security challenges on their own.

The broader Middle East faces an array of security challenges. Overall, regional stability is being challenged not only by 'bottom-up' sub-state forces—some of them fed by US democracy-promotion—but also by 'top-down' rivalries, including a serious rivalry between the US and Iran. Most states in the region lack good governance and strong political institutions. Civil society is weak and there's little political space for policy contestability. Identity conflicts, by comparison, are strong and play out against a background of limited

Figure 4: Numbers of Iraqi security force personnel



Source: Data compiled from US Department of State, Iraq Weekly Status Report

economic, employment and social advancement opportunities, fostering a climate of resentment and disaffection.

In contrast to social bonds in Western polities, identity and loyalty in the Middle East are tied predominantly to tribal and family structures. Nationalism is a comparatively weak force. The war in Iraq has given new impetus to identity issues across the broader Middle East, not least by bringing to power the first Shia government in a major Arab state. Furthermore, the bombing of the Golden Mosque in February 2006 inflamed regional sectarian tensions. Sunni–Shia tensions are complex and are underlain by a series of intrasectarian rivalries that transcend national boundaries. The Shia, the 'rising' force in broad sectarian terms, are certainly not a single, coherent actor. But the demonstrations by Saudi Shi'ites in support of Hezbollah during the 2006 conflict with Israel show there are potent supranational forces at work across the region.

The war in Iraq has given new impetus to identity issues across the broader Middle East, not least by bringing to power the first Shia government in a major Arab state.

The picture is not universally bleak. The small Gulf states (Bahrain, Oman, Qatar and the United Arab Emirates) have been attempting to replicate Singapore's developmental trajectory. The problem remains, however, not the small successes but the large failures: the failure to effect a liberalising political reformation across the broader region; the failure to enmesh the Middle East better into globalisation, and the readiness with which almost all security issues, even non-traditional ones like water, come to assume the dimensions of strategic contests.

Afghanistan–Pakistan

Assessments

- Afghanistan remains a complex triptych: a set of national difficulties sit alongside (and are entangled with) the problems of an unsupportive region and the international community's inadequacy at nation-building, to ensure that the country's challenges won't be solved anytime soon.
- Afghanistan is the scene of Australia's largest current overseas deployment. With that intervention now in its seventh year, we judge that within Afghanistan the security situation is gradually deteriorating, and the coalition's stabilisation strategy is itself under challenge.
  - Most NATO members don't want to send more troops to Afghanistan: they're convinced that a solution must be political and not military.
- The Karzai government has greater legitimacy in the West than it does in Afghanistan, and has shown considerable lethargy in addressing the interrelated problems that limit its own effectiveness: warlordism, corruption and drugs.
- Afghanistan's security problems can't be solved without addressing the problem of Pakistan's 'sanctuaries'. The US seems to have abandoned the idea that the Pakistan Government is going to be an effective constraint on the Taliban's use of those sanctuaries, and seems to be entering a phase of US–Afghan 'proactivism' along the border region.
- Pakistan remains a strategic concern in its own right: it's a fragile but nuclear-armed state at the core of the War on Terror. Its own future is uncertain.

Afghanistan is now Australia's largest international military deployment, involving nearly 1,100 Australian Defence Force (ADF) personnel. Operation SLIPPER will cost $618.9 million in 2008–09.

Western security analysts continue to differ about whether we're 'winning' or 'losing' the war in Afghanistan. In truth, it's a difficult thing to measure with accuracy. Most analysts who believe we're winning point to a measure of political stability in Kabul, and note that the war can only be won politically; most of those who believe we're losing point to a rising tempo of insurgent attacks and the weakness of the Karzai government beyond Kabul.

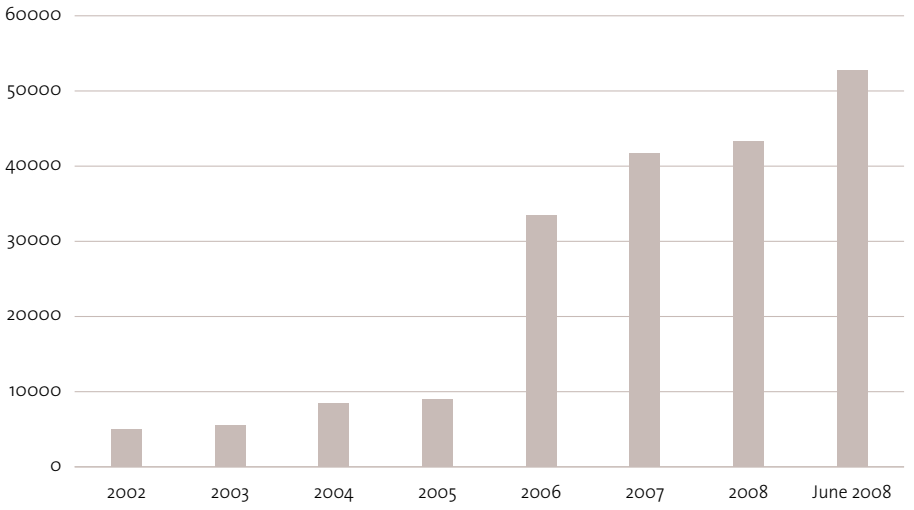
Afghanistan is an 'economy of force' operation. There are too few security forces—Western and Afghan—to prevail militarily (see Figure 5). This is in many ways symptomatic of the minimalist versus maximalist debate within NATO. Many European members of NATO face domestic constraints from their own electorates, among whom support for military engagement in Afghanistan is low.

With inadequate security forces, there has been a marked deterioration in the security environment in Afghanistan, which has experienced a downward trajectory since 2005–06 (see Figure 6). Insurgents have successfully challenged Phase 3 of the NATO mission, which is characterised as 'stabilisation'. They have turned the south and east of Afghanistan into non-permissive environments for NGOs and civilian-led development activity.

Afghanistan is an 'economy of force' operation. There are too few security forces—Western and Afghan—to prevail militarily.

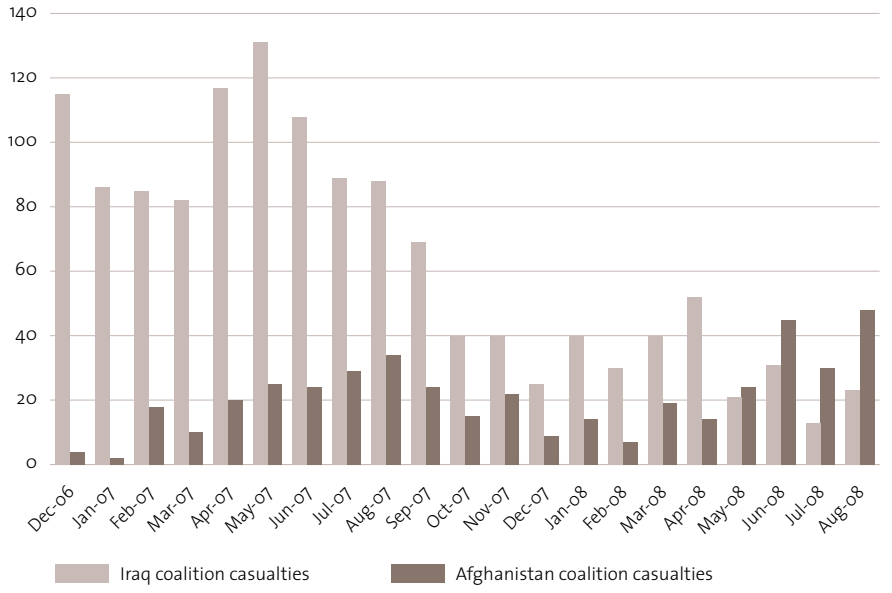
Hamid Karzai leads an unpopular government that has delivered little in the way of development or essential public goods, such as security and justice. The Afghan Government relies almost entirely on official development assistance. The loyalty of the population to the Karzai government is a critical factor: most remain passive, rather than actively supporting the government or the insurgents.

Figure 5: International Security Assistance Force troop numbers, 2002 to June 2008



Source: Stockholm International Peace Research Institute (SIPRI) Database on Multilateral Peace Operations

Figure 6: Monthly coalition casualties in Iraq and Afghanistan since the end of 2006



Source: www.icasualties.org

It's not obvious that the failure of governance is curable, at least in the short term. There's no history of strong central government in Afghanistan, and ungoverned spaces are exploited by insurgents who hold sway in much of the country's rural Pashtun heartland.

The Taliban-led insurgency is made up of a consortium of ideologically allied, Pashtun, Sunni extremist militias. The Taliban leadership shura is still intact and is based in Pakistan, from which it derives funding and recruits. Elements of the Pakistan armed forces continue to support insurgent groups within Afghanistan. Pakistan has a longstanding policy of using jihadist proxy forces to attain strategic depth in Afghanistan and to pursue a revisionist agenda in Jammu and Kashmir. Afghanistan is also an arena for competition between Pakistan and India.

Pakistan doesn't have a coherent strategy to deal with the diffusion of insurgent violence from its Pashtun tribal belt. It continues to vacillate between flawed peace deals and costly military campaigns. One has to question whether Pakistan has the will or wherewithal to deal with a systemic insurgency that is threatening its internal stability. The Pakistan armed forces are ill-equipped for counter-insurgency and counter-terrorism.

Pakistan is itself a security concern. Its own future trajectory is far from clear. Pakistan's possible futures cover a wide spectrum: from the emergence of a moderate, democratic state to possible break-up (Cohen 2004). In a country with a population now approaching 200 million people, and with nuclear weapons, some future scenarios are worrying.

The Asian security environment

Assessments

- The growth of strategic 'weight' in several Asian countries, and increasing military modernisation across the region, are producing a 'contraction' of Asian strategic geography (Bracken 1999).
  - One consequence is an increasing interconnectedness across Asia's traditional regional subcomplexes, driven by economics and the development of longer-range weapons systems.
- The return of Asian nationalism has given a new, less pan-regional, flavour to the traditional 'Asian values' campaign of the 1990s. Competing nationalisms are unsettling, especially in terms of great power relations. An intensifying Sino–Japanese rivalry for pre-eminence in Asia would be destabilising for the region.
- Despite those strategic shifts, most Asian countries seem relatively optimistic about the regional security environment. In large part, that's because of China's increasingly sophisticated diplomatic posture of regional reassurance, and the material gains that countries derive from closer connectedness to China's economic growth.
  - East Asia is already a substantial regional trading area, and intra-regional trade in the Asia–Pacific region grew from 22% in 1984 to 40% in 2004. Asia's share of world exports reached 21.3% during this period.
- A key task for the future will be to define a stable strategic transition to a security structure in which the Asian great powers play larger roles. Those roles can't just be ones in which the great powers take more responsibility for public goods; we need a stable security environment in which they are 'security contributors' in a broader sense. Australia must do what it can to help define that transition.

Paul Bracken argued almost ten years ago that Asia was starting to resemble a world of contracting strategic geography (Bracken 1999). He meant that the Eurasian chessboard, and its associated Pacific Basin region, was shrinking as economic and industrial power provided the basis for growing military force. Previously unrelated parts of the chessboard were increasingly linked, making it harder for the US, whose forces are dispersed over a wide area, to achieve local advantage. Bracken claimed that this effect would be broader and more worrying than a simple likelihood of increased tension in the US–China bilateral relationship: 'concentrating on a fundamental clash of interests between two powers misses the more important structural transformation in Asia, the expansion of military reach in an area whose stability used to depend precisely on the inability of countries to attack each other's heartlands (Bracken 1999: 32).' We are still moving down the path of geographic contraction.

Analysts have increasingly canvassed the end of the 'Vasco da Gama era', that 500-year period of Western influence in Asia that began with da Gama's voyage around Africa to India in 1498 (Bracken 1999; Bell 2007). The passing of that era implies a reduced Western influence in Asia. Of course, such influence won't fade quickly: China and India are now more strongly connected to the US than they've been for decades. But the transpacific relationship differs from the transatlantic one: in the transatlantic relationship, West meets West; in the transpacific, West meets East.

Defining a new security order for the Asia–Pacific region—one in which the regional great powers can build stable patterns of security cooperation with each other—will be a key challenge for the future. It's likely that cooperation can be developed most easily through the provision of public-order goods to the region: working cooperatively to maintain open sea lanes, to enhance disaster relief, to improve the handling of incidents at sea, to conduct effective peacekeeping, to counter terrorism and piracy, and so on. Building patterns of cooperation is central to managing the power transitions that are occurring in Asia.

But by themselves, public goods won't cut the strategic mustard of a new regional security order. That order can only *begin* with public-goods cooperation. The regional great powers would have to become 'security contributors' in a much broader sense: guaranteeing security, perhaps even providing extended nuclear deterrence guarantees to clients, and working cooperatively when their interests intersect in each other's spheres of influence. We are not yet close to such an order: the 'grand bargains' of Asian security for the 21st century haven't been settled—indeed, they haven't even been defined.

North Asia

Assessments

- The long-term shift in North Asia is towards a more uncertain Japan and a more confident China.
- A Japan worried about its own future appears to its neighbours and allies as an increasingly uncertain actor.
- Chinese strategic power is growing, rapidly and comprehensively. But China, traditionally an introverted power, is feeling out its own role in a more economically competitive and resource-hungry world.
  - We have already seen the increasing marginalisation of Taiwan.
  - However, the recent Taiwanese elections open a window of opportunity to stabilise security in the Taiwan Strait, improve cross-strait economic interdependencies, and reduce security uncertainties.
- Terrorism will not be an important driver in North Asian strategic relations.
- Russia will remain an isolated and frustrated power, largely ineffectual in the region. It has some cards to play on the global stage, including as a newly enriched energy supplier and a traditional arms supplier, but those cards will buy it relatively little influence in Asia.
  - Despite a recent spate of claims that 'the bear is back', the conflict with Georgia shows that Russian military forces will primarily deploy for limited brutalities close to home.
- While North Korea has tended to slip 'off the radar' a little in recent years, it remains a problem for the region. There's only a small possibility that Pyongyang will fully give up its nuclear weapon potential. Of course, we shouldn't ignore the possibility of regime collapse and a degree of ensuing chaos in the country.

North Asia remains a key region for global and regional stability. It's the region where great-power relationships can go most profoundly wrong. The Sino–Japanese relationship is marked by a 'positional' rivalry—a concern over their relative positions in the regional hierarchy—that exceeds the other bilateral great-power tensions in an Asia where, for the first time, China, Japan and India will all be strong at the same time.

Japan feels anxious about the growth of Chinese power and confidence. It senses that it's lost its easy claim to be the US's best friend in Asia, and that it's lost the formula for economic success that saw it rise so dramatically during the Cold War years. Japan is uncertain how to respond to the new strategic environment. There's no domestic consensus about its new role in the world. Japanese 'identity' has been shaped by a long period of close relationship with the Americans, and the acceptance of a set of formal, legal roadblocks within Japan's own system restricting the role it might play in the world. Japan's classic Cold War approach—being the civil power for Western influence in Asia—no longer seems to provide it with the security it needs.

China's power is growing rapidly as its economy grows and it becomes more adept at translating that success into political leverage. More than any of the other Asian great powers, it is leveraging expectations of its future success. We don't know yet what sort of great power China will be, but it's being careful not to get trapped as a one-dimensional power. As David Lampton has observed, Chinese power already wears three faces: might, money and minds (Lampton 2008).

China's leaders speak of its role in a 'harmonious world', and there's certainly a prospect that China will seek to define its own greatness as a responsible stakeholder in the current system. But China's role might not always be so helpful. There's a deep sense of nationalism in China now, some of which can be exported and coordinated through the Chinese diaspora, as Australians saw during the Olympic torch relay in Canberra. And issues that sit close to China's territorial integrity (like Taiwan and Tibet), or are somehow caught up in China's new nationalism (like the torch), are those on which its flexibility is lowest and its handling is clumsiest.

Among all these new challenges, we mustn't lose sight of older challenges that still pose real dangers. The Korean peninsula remains one such challenge. The worry that North Korea might attempt a new invasion of the South is no longer a genuine concern. Although the North has some military options against the South, invasion isn't one of them. The far bigger danger is some form of internal collapse in the North. We don't have reliable projections for the future of dynastic totalitarianism in North Korea. Nor do we expect Pyongyang to give the international community a full accounting of its past plutonium reprocessing activities. Victor Cha concluded some years ago that the core of the North Korean nuclear problem was the regime itself, and that conclusion still seems valid (Cha 2002). North Korea will remain a regional problem.

Southeast Asia

Assessments

- Southeast Asia has escaped its status as a geopolitical 'shatterbelt', suggesting a regional maturation that would allow Australia confidently to find long-term strategic partners there.
  - Despite the downturn of the Asian financial crisis, the region has shown considerable economic resilience.
- Indonesia has managed the political challenges of transition from an authoritarian political system to a democratic one.
- Within the region, the key challenges still tend to be developmental. Despite a continuing level of inter-state tensions, the region has not seen violent inter-state conflict for many years.
- By contrast, a number of intrastate groups prosecute violent conflicts, most obviously in Indonesia, Thailand, the Philippines and Burma. On the whole, those conflicts tend to be of only nuisance value in terms of regional security priorities, but they raise the question of the strategic importance of ungoverned spaces in Southeast Asia.
- In comparison to Southeast Asian countries, Australia remains a potent military player. But the Asian great powers to the north are much more so: Asian economic power is gradually transforming into military clout, making for a steeper 'power gradient' between Northeast Asia and Southeast Asia. Indonesia is Southeast Asia's largest economy, but China's economy virtually 'grows' another Indonesia every year.

Forty years ago, US geopolitical analyst Saul Cohen listed Southeast Asia and the Middle East as the world's two most worrying 'shatterbelts' (Cohen 1964). (Shatterbelts are typically characterised by great political, cultural, religious and social diversity, and tend to have a higher number of conflicts within their borders than they do with others outside their borders.) By the late-1990s, Cohen had concluded that Southeast

Asia had essentially escaped its shatterbelt status, and evidence of such a geopolitical repositioning has only increased in the years since (Cohen 1999: 283).

The ASEAN 10 have a definite success story to tell in Southeast Asia. The transformation in the region's political landscape since the formation of ASEAN has been dramatic. In the 1960s, the region was torn by conflict and instability: the Malayan Emergency, the Vietnam War, Konfrontasi, Soekarno's Indonesia. Australia was caught up in those regional tensions. In 2008, we see a much improved region. True, a critical mass of security cooperation grows only slowly there, and mostly in the form of soft rather than hard cooperation. Moreover, not all the improvements can be laid at ASEAN's door: the individual Southeast Asian states deserve a lot of the credit for their efforts to enhance regional and national resilience over the years. Still, Australia has been lucky to have Southeast Asia as its strategic neighbour: the region has been free from major inter-state war, and virtually immune to pressures for WMD proliferation.

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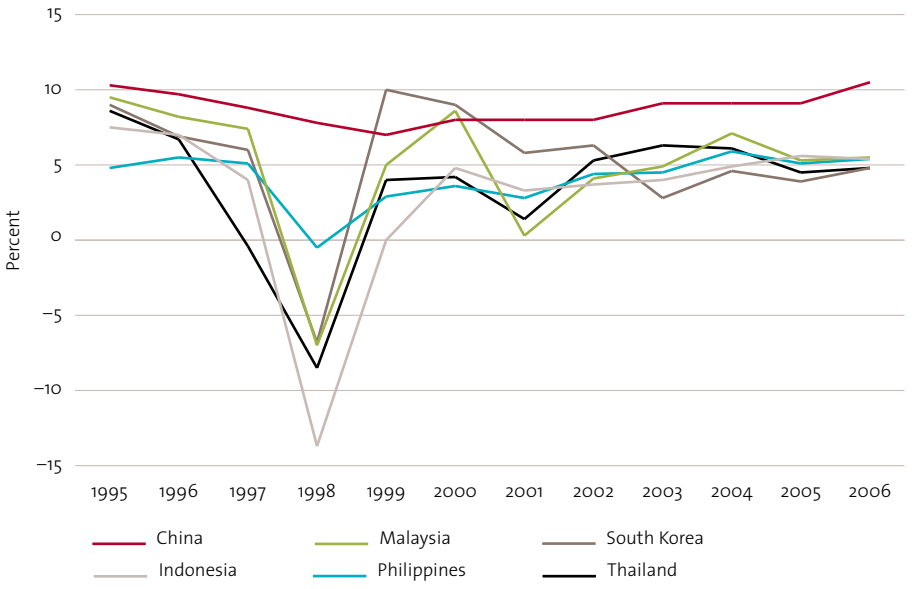
Southeast Asia has its problems, including the localised terrorist groups or insurgencies that generate trouble in Indonesia, the Philippines, Thailand and Burma. Furthermore, the region's long and slow progress away from long-lived authoritarian leaders and towards democratic regimes hasn't been entirely a one-way street, with another coup in coup-prone Thailand as recently as 2006. But, at the broad level, the guns are largely silent across Southeast Asia and most of the regional economies are growing (see Figure 7).

Figure 7: GDP growth rate of crisis-affected countries, 1995 to 2006



Source: Strategic Asia Database, 2007 © The National Bureau of Asian Research

Economic growth has led to increased military modernisation in a number of Southeast Asian states, most notably Singapore, Thailand and Malaysia. The trend in tailoring the armed services away from light and large land forces towards heavier air and maritime capabilities reflects a perceived need to protect and monitor important energy and trading routes, as well as a hedging strategy in an era of regional dynamism.

Terrorism has been an important driver of closer cooperation in the region, especially in maritime security. For example, Indonesia, Malaysia and Singapore have participated in joint controls and information sharing in order to combat transnational threats such as piracy, terrorism and drug trafficking. In 2005 the foreign ministers of those states signed the Batam Statement, which upheld the sovereignty of the littoral states over the straits of Malacca and Singapore, confirmed their primary responsibility for that area's maritime security, and encouraged collaboration with other states, international organisations and private companies in assistance and training. Moreover, counter-terrorist cooperation was an important basis for the regrowth of Australia's bilateral ties with Indonesia after the Bali bombings of 2002.

Southeast Asia, however, is a relatively small region in a rapidly growing Asia. As they look north, regional countries can't but be impressed by the growth of the Northeast Asian powers. They, like Australia, must anticipate living in a region where the Asian great powers hold more sway. Indeed, that anticipation might well serve as a driver for greater security cooperation with Australia in coming years.

South Pacific

Assessments

- While Southeast Asia has become more stable over the past forty years, the reverse is true for the South Pacific: the result is a net gain for Australian security, but bad news for the islands. Across the South Pacific, a worrying and deeply entrenched set of security challenges remain.
- A report by the Secretariat of the Pacific Islands Forum in 2000 identified ethnic differences, land disputes, economic disparities and a general lack of confidence in corrupt or ineffective governments as the main causes of conflict in the region (Richter 2004). Those four elements remain the key drivers of conflict today.
- If anything, those elements seem likely to be sharpened in coming years as island economies fail to keep pace with projected population growth. In Graeme Dobell's words, 'most of the South Pacific islands [are] caught in a sort of permanent adolescence, where they can never have the economic power to fulfil the expanding needs and wants of their population' (Dobell 2008).
- Australia no longer accepts as it once did that the South Pacific is a uniquely blessed, self-stabilising region that can automatically translate the virtues of its strong societies into political and strategic stability. Australia will remain an interventionist metropolitan power in the islands for decades to come, but the shape of our interventionist role is not yet finalised. There are strong indications that Australia would like a beefed-up Pacific Islands Forum and a much stronger sense of a Pacific economic and political community.
- However, Asian countries are increasingly replacing Western countries as the influence-peddlers of the South Pacific (see Crocombe 2007). This is a shift of historic importance, since the great proportion of outside influences on the South Pacific in the past 200 years have been Western ones. Australian involvement in the islands will increasingly take place within a broader context of competitive external influence.

Security challenges in the South Pacific tend to be principally the challenges of nation-building and underinstitutionalisation. Many are non-traditional challenges that don't necessarily involve militarised conflicts.

The three largest South Pacific states (Papua New Guinea, Fiji and Solomon Islands) continue to struggle with a range of problems, including poor governance, civil–military difficulties, resource depletion and demographic pressures. PNG remains a particular worry, simply because of its size. A PNG that slipped into disorder and division would pose a stabilisation challenge that Australia would be poorly placed to address on its own. That challenge will grow as PNG's population grows, from its current 6 million people to something like 9 million by 2030 and perhaps 11 million by 2050 (if using UN population projections; see Table 1).

By contrast, the smaller states—Kiribati, Tuvalu, Nauru, Samoa and Tonga—tend to be relatively more stable, but even there problems abound. Overall, as AusAID concludes in its most recent Pacific Survey, the Pacific islands are missing out on the global boom. Regional economic growth was 3.1% in 2006, and the coup in Fiji seems sure to drive that country into negative economic growth, at least in the short term.

Table 1: PNG population projections

Year	Population
1990	4 131
1995	4 709
2000	5 381
2005	6 070
2010	6 708
2015	7 319
2020	7 937
2025	8 565
2030	9 183
2035	9 758
2040	10 273
2045	10 736
2050	11 155

Source: World Population Prospects: The 2006 Revision Population Database, UN

The South Pacific is Australia's near neighbourhood, and we can't escape a degree of strategic enmeshment with it (we can't have an exit strategy from our own neighbourhood). The region has faced some difficult challenges in recent years: not merely the traditional difficulties of microstates struggling to come to terms with the world, but a range of internal problems, including economic difficulties, poor governance and fraught civil–military relations.

Those problems need to be seen in the broader context of the region's shifting relations with external powers. In recent years, a number of external players have assumed larger regional roles, in particular through diplomatic engagement and aid. The European Union, Japan and China lead the field. As a result, Australia finds itself in an increasing competition for influence in the South Pacific. It's possible that our traditional policy of strategic denial—'denying' footholds to other external players—can no longer form the basis for a sensible approach to the region. We should explore the option of 'partnering' with others for leverage there, learning to take the challenges of the South Pacific in our stride. Doing so would leave us more resources for more serious challenges elsewhere.

National security

Assessments

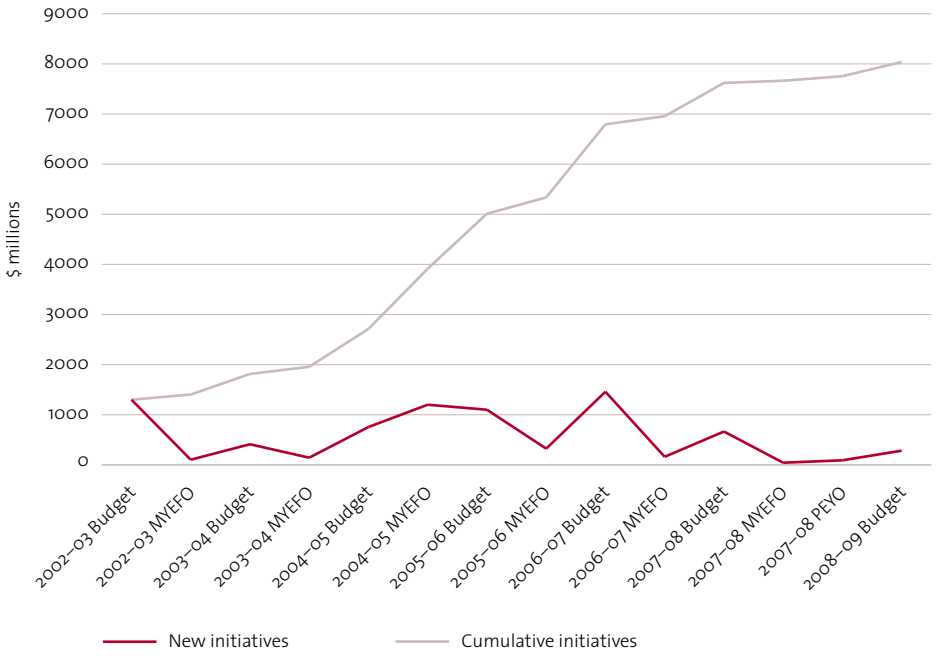
- Globalisation is spurring governments and societies to engage with a wider range of security issues. Terrorism, pandemics, illegal migration, energy security, climate change, natural disasters and transnational organised crime have all established claims to be treated as serious 'security' concerns. Globalisation is simultaneously spurring a recalibration of national security systems, as governments look for new approaches to managing risks.
- Although most of the security issues are transnational and beyond the ability of any single government or country to solve, some issues have helped to generate a new focus on homeland security in many countries. Terrorism, in particular, has heightened awareness of national vulnerabilities, especially to risks that arise from a fragile and interconnected global system.
- The broadening of the security agenda has also spurred fresh reconsideration of the range and suitability of different security instruments. The ADF has seen its mission profile expand, and the Australian Federal Police has moved to become much more of an international police force. In some countries, the notion of a civilian emergency response corps has been the subject of increased debate.
- There's now a growing and obvious tendency to pursue whole-of-government solutions in our security policy, increasing the challenge of interdepartmental coordination at all levels of Australian government, and sharpening the debate over where national resources are best spent. Governments have become increasingly aware that instruments of state have to be used in parallel with each other: there are fewer distinct 'phases' to crises anymore.
- At their most serious, the new national security issues raise questions about the suitability of core governmental structures for addressing the 'wicked' problems of the future.

The terrorist issue and the rising importance of a range of other non-traditional challenges—environmental issues, avian influenza, natural disasters and transnational crime—have increased our sense of vulnerability to a wider range of risks. Historically, many 21st-century challenges wouldn't have been understood as classic security problems: their effects are often indirect, and conflict is not typically a part of the mix. Moises Naim's 'five wars of globalisation'—drugs, arms trafficking, people smuggling, intellectual property theft and money laundering—help to give a sense of the breadth of the non-traditional agenda, and that's without even mentioning a host of issues that others might add (Naim 2003).

Homeland security has enjoyed a renaissance in Australian security thinking. Government spending on infrastructure protection, policing and domestic intelligence has increased dramatically.

The 9/11 and Bali attacks had a profound effect on our thinking about security. They sensitised Australians into a new awareness of transnational security problems, but also highlighted the inadequacies of our capacities to respond to those problems. Homeland security has enjoyed a renaissance in Australian security thinking. Government spending on infrastructure protection, policing and domestic intelligence has increased dramatically (see Figure 8).

Figure 8: Australian Government spending on homeland security



Source: Athol Yates (2008), Federal Budget briefing on Homeland Security Expenditure*, Australian Homeland Security Research Centre, Canberra, p. 5*

But national security concerns run far wider than terrorism. Confusingly, the new issues aren't easily prioritised; indeed, not every government even lists the same issues as core national security problems. Almost invariably, the problems are frighteningly wide in their scope. Governments are in dire need of a clear metric for setting priorities and allocating resources to meet security concerns that are potentially open-ended. We've previously suggested that Australia should focus its efforts on those issues that are large, urgent and proximate. Under those criteria, not all human security concerns would qualify as issues of national security concern.

Moreover, most of the new problems require high levels of both international and national policy coordination. They eat away at the traditional distinction between foreign and domestic policy. Indeed, some analysts suggest that they require a level of coordination for which current government structures might well prove unsuitable, and that new structures might have to be devised to handle them. The same applies to how we think about security instruments, which might now need to be more than state-based. This creates difficulties in identifying the most effective strategic partners and working cooperatively with them.

If anything, non-traditional areas are at the growth end of the security spectrum. We'll need to get better at handling these problems in coming decades; not engaging with them won't be an option.

Australia and its strategic options

Key questions

- What should Australia do in the world it faces today?
- Australian grand strategy has not changed since white settlement.
  - We've always sought a secure Australia in a stable, liberal, prosperous global order.
  - We've been a trading nation with a firm strategic tie to the dominant Western maritime power of the day.
  - We've pursued strategies of order-building at the global level, as well as closer to home, using both our ANZUS alliance and the ADF as versatile security instruments.
- Is that grand strategy sustainable in the world outlined in this review?

Australia has lived since white settlement in a Western-shaped global order, seeing its own security as closely linked to a continuation of that order. We have a strategic tradition of contributing to and sustaining a liberal order managed by Western powers, whose stability is buttressed by economic and military assets, international institutions and norms. And we remain today an engaged global and regional power with substantial interests in distant balances of power, global trends, and patterns of global conflict.

But what does a secure Australia look like in the 21st-century world outlined here? In a world where the second, third and fourth largest national economies (using purchasing power parity estimates) already belong to China, Japan and India, where globalisation is a driver for both integration and fragmentation, and where a series of complex undercurrents are in play, Australia's future security 'algorithm' seems likely to contain far more variables than it traditionally has. We will probably be building order in more ways, with more partners, than we ever have before.

Is Australia's objective of a stable, liberal, prosperous global order still achievable in coming decades? Yes, but much will depend on future great-power relationships, and on how China chooses to define its international role. The power diffusion currently occurring between states is not—or at least not yet—suggestive of a fundamental global reordering. China, in particular, benefits from a stable strategic environment and open trading regimes. China doesn't share our attachment to political liberalism, but neither does it try to export authoritarianism.

Can great power war return? Yes. For the past 500 years, it's been a recurring feature of the international system. Australia, which has never gone to war on its own, probably doesn't need to plan on fighting great powers single-handedly. But it's entirely likely that we would have a role as a security contributor in a great-power clash. We have no history of neutrality in such conflicts and are unlikely to be indifferent to the outcome of future great-power clashes. We should plan on fighting in alliance with the US when we see our interests directly threatened.

What would we do if the stable, liberal, prosperous world order proved unsustainable? That's a seriously unwelcome prospect. We have no algorithm for Australia's security in an unstable, illiberal, stagnant world (the doctrine of defence self-reliance is not a recipe for a 'Fortress Australia'). So we should work as hard as we can to avoid such an outcome. Fortunately, simultaneous challenges to all our preferences for global order—stability, liberalism, prosperity—do not look likely. Much more likely is that one part of our preferred solution changes: for example, we might slide into a reasonably stable, relatively prosperous, but non-Western world order. For Australia, adapting to that sort of global change would be challenging enough.

Australia can best think about its current strategic challenges by using John Ikenberry's helpful distinction between a positional grand strategy and a milieu-based grand strategy (Ikenberry 2007):

- A positional grand strategy dominates when clear rivals are known and the principal objective of strategic policy is to 'position' yourself to advantage.
- A milieu-based grand strategy dominates when a country faces no clear rivals, and the principal objective of strategic policy is to improve the broader strategic environment.

Without clear great-power rivals, Australia's grand strategy should—primarily—be milieu-based. But some rivals (al-Qaeda, for example) are known. Those rivals would prefer a different world and are willing to use force to achieve their ends. In our counter-terrorist policies, we can try to drain the swamp in which the crocodiles live, but we might still have to 'position' ourselves to wrestle them.

Are we still a trading nation? Yes, and we'll remain one for the indefinite future. As the global centre of gravity continues to shift from the transatlantic region to the transpacific, Australia's trade pattern is likely to become even more Asia-centric. So will it still make sense for us to maintain a strategic tie to the dominant Western maritime power of the day? In broad geopolitical terms, Australia shares that choice with a number of other countries on the Asian rim; they also have strategic ties to the global leader but growing economic and political connectivity to the regional great powers. That pattern reflects the durability of the US-centred hub-and-spokes system of alliances established during the Cold War, the continuing engagement of the US at the core of Asian security arrangements, and the fact that future regional security architectures are far from apparent. To put it simply, Australia

will maintain its current security and economic arrangements until it sees good reason to change them. No decision to abandon our strategic tie to the US is imminent.

How do we best pursue our traditional strategies of order-building in the world outlined here? We need to accept and manage (to the extent we can) a number of difficult challenges. Those include:

- the likely reshaping of global and regional orders to better reflect shifting power balances, especially in Asia
  - for example, what do we want the United Nations Security Council to look like?
  - what long-term roles do we want China, India and Japan to play in Asian, or indeed in global, security?
  - how might Australia respond if Asia hits a nuclear tipping point?
- the empowerment of war-making units beyond the state, and the growth of asymmetric conflict in the years ahead
  - how do we address the security threat of small, agile groups exploiting the interconnectedness of a globalised world, and shunning traditional battlefields?
  - which partnerships give us best leverage against extremist and asymmetric threats?
- the growth of the non-traditional security agenda, as distinct from the familiar one of military force, inter-state conflict and Australia's technology edge
  - how do we set national security priorities in a world in which the softer side of the security spectrum is also demanding larger resource commitments for aid, education, nation-building, disaster relief and a host of other challenges?

In the Asia–Pacific region, the amount of strategic space within which Australia can manoeuvre will shrink, but mutations in the strategic environment will give rise to a different set of issues and challenges. We'll need to identify ways in which Australia can maintain a significant amount of leverage and influence vis-a-vis great powers in regional and international affairs over the next ten to fifteen years. While countries like Australia tend to have a preference for multilateral frameworks to manage power transitions (because such frameworks dilute power differentials), our best opportunities might well be found in bilateral mechanisms—like the Australia–Japan security partnership—that help engage the regional great powers in specific areas of cooperation. Australia can't sit back on its haunches and expect the shift in the strategic centre of gravity towards Asia to accord us automatic regional relevance.

We've typically relied on our alliance with the US and on the ADF as our principal security instruments. Will they still be effective in future? For any country, the most attractive instruments are those that give it best leverage in dealing with its strategic problems. In short, we need the security instruments that best support our grand strategy. Questions about both ANZUS and the ADF—its shape, size, equipment—are a subset of that suite of issues. The alliance has so far proven an extremely versatile instrument, as has the ADF, but we'll probably need to grow new, complementary, security instruments—including civilian emergency response capacities and transnational structures that build on our closer links with a wider range of partners. Those instruments don't always have to be military ones. The value of our strategic capital will vary within different contexts. For example, the renewed prominence of energy resources as a driver of strategic relations gives Australia some degree of diplomatic and even strategic leverage as a coal- and uranium-exporting nation.

We live in an era in which the strategic influence of non-state, globally interconnected actors is growing. They already have the power to trigger major order-altering events. In coming decades, we face a world in which our preferred ways of using force might well be over-ridden by other players.

We would prefer a world in which:

- force is used primarily in gravitational ways (where the influence of military power is felt when it is *not* used directly)
- Western forces predominate on key battlefields
- weapons of mass destruction remain the property of the self-deterred (that is, countries that have sufficient understanding of the destructive capacity of WMD to deter those countries from ever using them).

However, all three conditions appear to be breaking down. There's a risk that the ADF will increasingly find itself fighting at high operational tempos, on battlefields where Western dominance is not assured, and on landscapes more cluttered with WMDs. We should be prepared to spend resources and effort to lock in our three preferred conditions.

We're a wealthy, advanced country. We have a continent to ourselves. Our ally is the world's strongest power. Our society and its institutions are strong.

Australia's future strategic challenges look daunting, but they're the same challenges that many others will face. Compared with most others, we're well placed to meet them.

Future shock—the world in 2050

Assessments

- Our ability to predict the world of 2050, 42 years into the future, is low.
  - 42 years ago, in 1966, we were fighting in Vietnam: we had no good idea what 2008 would look like.
  - 42 years before that, in 1924, a leadership struggle was underway in the Soviet Union to determine Lenin's successor.
- Extrapolating from trends is a poor approach for 'futures' work, because discontinuities often prevail over continuities.
  - Over the past 20 years, the end of the Cold War, the Asian financial crisis and the events of 9/11 have all attested to the importance of strategic discontinuities.
  - Current security pressures—over food, energy, possible degradation of the planet's ecosystem and global financial fragilities, to name just a few—might well be taking us into unexplored strategic terrain.
- Recent academic work argues that 'black swans'—highly improbable events—have a strategic importance far beyond their low mathematical likelihood.
- Therefore, our estimates of what the world might look like in 2050 are extremely speculative:
  - Will we have seen a fourth product transition by then? That would be a change as important to human society as the first three transitions (hunting, farming and industrialisation), and would take human evolution along a new course.
  - Was George Armelagos right in 1998, when he claimed that we were witnessing a 'third epidemiological transition'—that humans were basically becoming sicker as we began to lose the struggle against the bugs? (Armelagos 1998: 26–7)

- Will we have seen the triumph of what some strategic thinkers call 'fourth-generation' warfare, in which the state has lost its monopoly on armed violence, and small, agile groups predominate on an extended and indeterminate battlefield?
- Have we suffered the breakdown of key mechanisms of interconnectedness, including the death or serious injury (or infection) of the internet?
- Have we moved into space as a venue for colonisation or resource exploitation? Is space the new arena for competition or confrontation?
- Has some form of severe environmental shift occurred (the *Day After Tomorrow* scenario). Has another asteroid collided with the Earth?
- Is al-Qaeda still around? If we take the Rapoport thesis, that terrorist 'waves' last about 40 years, then the answer is no. But since no wave has seen a final end to terrorism, are we struggling against 'fifth wave' terrorists in 2050? What do they look like?

We present here five scenarios for 2050.

Scenario 1: Muddle through

This is what we might also call the 'world keeps turning' scenario. Always the baseline prediction, this scenario assumes that, even though current trends aren't perfectly extensible into the future, the world still manages to negotiate a stumbling path through future hazards. By 2050, the global great powers are still the ones we could reasonably identify today, the global economy still contains a few very rich people and a bottom billion who struggle, and conflict (limited, but nasty for those directly involved) typically prevails where governance is weakest and identity crises sharpest. In this world, we essentially do what we do now: find a reliable great power partner, position ourselves to stay economically competitive, and build order where we can do so most effectively. Global order is shaped by the same mixture of hard and soft power that was used in 2008.

Scenario 2: Techno-rapture

Technological advance, especially in nanotechnology, opens up a new world of development. Human minds are downloadable to hard disk and uploadable to robots. The annual global economic output of 2008 is produced in mere weeks. Even the bottom billion of the planet's population is better off than it was in 2008, and a few are insanely rich. War exists, but in advanced armies most soldiers are clones and most weapons systems are automated. In this world, rewards come fastest to those at the leading edge of technology; strategy aims at strengthening links to the technology innovators. Global order is determined by technological prowess.

Scenario 3: A sicker world

As advanced countries age, the typical diseases of ageing become more prevalent among their populations. Around the world, infectious diseases return as major plagues of global health. Globalisation of the world's disease pool makes for an environment in which health issues return with a vengeance to the policy agenda. In this world, Western countries are

typically forced into a proactive strategy based on a vigorous immigration program (primarily of the young) to redress the disproportionate numbers of the sick and old among their own populations. Funding for the World Health Organization increases dramatically, as rich countries attempt to counter globalised disease vectors. In this scenario, global order is determined by the balance between the sclerotic and the infected.

Scenario 4: A darker world

The zenith of the Westphalian state passed sometime back in the 20th century. From there, the relative and absolute decline in state power accelerated, taking us into a new Dark Age (Williams 2008). State failure, once regarded as an aberration, becomes typical. Governance shifts to different actors. What we once called 'ungoverned spaces' are not so much 'ungoverned' as 'alternatively governed'—by groups that are not states (Cerny, 1998). Conflict is not state-based, but reminiscent of the Middle Ages. In this world, Western countries typically pursue defensive strategies of fortifying pockets of 'order' and attempting to fortify the central 'linkages' necessary to support their lifestyles. Those strategies are in vain. A different, darker world emerges. Global order is lost.

Scenario 5: A bloodier world

The early 21st century 'transitional age' in great power relations faltered, particularly in Asia where the great powers had no history of security cooperation in conditions of simultaneous strength. Great power 'cold' war once again becomes familiar, and some states attempt the conquest of adversaries. There are genuine possibilities of armed exchanges that, in exceptional circumstances, cross the nuclear threshold. Death tolls from inter-state conflicts escalate savagely. Strategy aims to optimise outcomes in a deadly game of inter-state rivalries. Global order is shaped by great-power conflict.

These scenarios don't pretend to be comprehensive depictions of the future. None of the scenarios is predictive. They are offered entirely as 'brain-teasers', to encourage thinking about the possible shape of a more distant world.

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A dynamic global security environment presents a range of new challenges to Australian strategic planners. Global leadership is increasingly becoming a shared rather than a solitary condition; deep interconnectedness is fuelling a host of new security issues, and power is being exercised by a wider range of actors. Our principal ally, the US, is under pressure on a number of fronts. The shape of future warfare is far from certain. Weapons of mass destruction seem likely to proliferate, especially in the Middle East and Asia. The possibility of catastrophic terrorist attacks will continue to haunt us. A fragile, tense strategic environment will characterise both Iraq, and the Middle East more broadly, for years to come. Afghanistan and Pakistan pose particularly severe challenges. The growth of strategic 'weight' in Asia will drive a reshaping of the regional security structure, as Asian great powers come to play larger roles. That reshaping might not be harmonious: Asian great powers have little history of security cooperation. Southeast Asia has a success story to tell, but each year now faces a steeper power gradient to its north. A deeply entrenched set of security problems endure in the South Pacific. And new, non-traditional issues are forcing their way onto the national security agenda. What should Australia do?'

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