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In defence and security policy, the next Australian government will find tough choices thrust upon it. Under the Howard Government, the Australian Defence Force (ADF) has become better resourced and prepared. But that alone won't enable the country to escape the many dilemmas ahead.

The most important security decisions in the years to come aren't likely to be about how to shape Australia's military, since most of that work is underway: many major acquisition decisions have been made, for example, expanding expeditionary options with strategic lift aircraft and ships. There is broad bipartisan consensus on the need to balance Australia's limited forces between national defence and the projection of power in pursuit of wider interests. The Opposition has come to accept most of the government's capability decisions. Labor's criticism of the government's 2007 Defence Update document, its argument that a new and comprehensive defence 'white paper' is long overdue, and its call for a focus on the challenges in the neighbouring 'Arc of Instability' all should be seen in that context. So should the government's claims that it has euthanased a purportedly narrow 'defence of Australia' doctrine associated with Labor. In any case, both sides of politics intend to commission a white paper in the next term.

The intriguing choices ahead will be about how, where and why to use this changed force. By funding and extolling a more powerful military, the government has reinforced expectations that the ADF will always be available for contingencies near and far. But the ADF will remain relatively small, struggling to reach its target of 57,000 personnel. So some expectations of Australian help, on the part of the United States and others, will sooner or later be left starkly unmet.

Australia is becoming accustomed to being a busy, if not overstretched, military power. The security problems identified by the government in the 2003, 2005 and 2007 updates are now a familiar checklist of worries, which both sides of politics broadly deem important: Islamist terrorism, nuclear proliferation, fragile states in the 'Arc of Instability', new 'asymmetrical' ways of war that make us vulnerable, great power tensions, and more. Over time, some

issues rise or fall in prominence; they interact in different, dangerous ways; individual leaders and strategies colour the scene. Yet overall the strategic picture has begun to seem static. Paradoxically, in an age of rapid change, there now seems a familiar suite of security challenges against which we can rationally reshape our national capabilities for the decades ahead.

If comfort is drawn from this, it will prove false and short-lived. The next Australian government will find that the real mark of its strategic environment is deepening uncertainty. Much will remain familiar — like the central importance of states in the world system, the role of armed force, and the dominant power of the United States. Yet this will mask accelerating change, and the likelihood of shocks: pandemic or financial crisis, massive natural disaster or rapid climate change, energy shocks, mega-terrorism, inter-state war, or the collapse of a fragile state.

Any of several major issues in world security could well reach a crisis point in the years ahead. Iran, Iraq, Afghanistan, the Korean Peninsula, and China-Taiwan relations are all delicate situations where Australian interests are engaged. If any of these took a serious turn for the worse, the ensuing policy dilemmas for Australia, especially over whether to participate in fresh US-led military action, could be acute. Such prospects, although unlikely, cannot be dismissed as fanciful. For example, the next year in China-Taiwan relations will be troubled: Taiwan will hold elections in which sensitive questions of identity and independence will invariably arise, along with a controversial referendum about UN status. There is no guarantee the Beijing Olympics will restrain China's response. Turning to the Persian Gulf, informed observers are becoming persuaded that the US or Israel are increasingly serious about considering force as an option against Iran's nuclear ambitions and its destabilising activities in several regional states.

So the next Australian government will have many reasons to renew diplomatic efforts to reduce the chances of any power's resorting to large-scale war. More broadly, it will need to be mindful of the risks of instability as power balances change, especially as

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China and India rise. So fresh thought will be needed on Australia's security diplomacy with major powers — including in relation to dialogues, exercises and military capability questions — and especially in the context of our role in the US alliance system in the Asia-Pacific. At the same time, Canberra may want to look for ways of reconciling the cold reality of great power politics with neglected agendas of nuclear non-proliferation and the empowering of international institutions. There is scope for initiatives to improve Asia's motley 'architecture' of multilateral forums for discussing security problems and reducing the risks or impacts of conflicts between states.

But some wars are with us already, and the reluctance of many other US allies — especially in Europe — to put troops in harm's way will increase the pressure from Washington for Australia to sustain its role in Iraq and expand it in Afghanistan, in the latter instance sharing daily risk on a larger scale and increasing the chances of combat losses. The next Australian government will very likely have to cope with public opinion in the face of multiple Australian casualties.

Many looming security-related decisions, though, will be less dramatic than immediate questions of war. The basic limits of Australia's capabilities — even with one of the world's 12 largest defence budgets — mean that Australian governments will increasingly have to prioritise national security interests and choices. The country's globalising interests will continue vastly to outgrow its power, so many risks and problems will have to be tolerated, managed, or left primarily in the hands of others. For example, promises to help Australian nationals caught up in conflict or disaster, wherever they may be, will sooner or later have to be qualified or broken. Even with annual defence spending increases of about 3% in real terms — promised by both sides of politics — Australia will struggle to retain its relative military power in the region and the world, as some other economies and defence budgets continue to grow faster, our overseas commitments accumulate and our personnel shortages bite.

A key defence capability question is how to finish (or redirect) the transformation of the ADF, including whether to stick with the Joint Strike Fighter as the new mainstay of our air force, on

which a final decision is due in 2008. One question is whether a future government will develop one of the newly-ordered large transport ships as Australia's first aircraft carrier since 1982. More broadly, the next government will want to review our response to increasing military capabilities in Southeast Asia, a region where Australia faces no known conventional threat and yet where Canberra is determined to maintain an edge, at great expense. Recent Russian arms deals with Indonesia have highlighted this issue, but the reality is that Australia's capability lead is huge, and relations with Jakarta are on a good track. Conversely, Australia's next few governments may find themselves having to work hard to reassure the region of our benign intent, as the ADF's potent new platforms and systems prominently enter service.

Finally, the next government will need to review the effectiveness of Australia's major security activities in its near neighbourhood. In Southeast Asia, cooperation against terrorism, including in policing and intelligence, is an ongoing success. The challenge will be to consolidate the gains and not to become complacent about possible rekindling, relocation or metamorphosis of radical Islamist violence and ideology. Meanwhile, Australia's stabilisation and nation-building operations in East Timor and the Solomon Islands will come under increased strain and scrutiny if further progress in security, governance and development is elusive. Judgments will need to be made about whether a 'staying strategy' would be more fitting than an exit one; how to ensure the desired effects are achieved, including through the right balance of military, police, aid, diplomatic and other civilian engagement; and whether deployed Australian personnel are sufficient in number and properly prepared — for example in cultural and language skills — for the work required. The possibility is also likely to increase that Australia, as the only large regional player, will be called on for more stabilisation or disaster relief efforts in other South Pacific countries, further stretching the nation's capabilities.