

Address to the Annual Dinner of the ACT Branch of the Australian  
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# **STRATEGIC CHANGE AND THE FUTURE OF THE AUSTRALIA-US ALLIANCE**

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A contemporary focus on the familiar terrain of the Australia-US alliance is useful and timely for a number of reasons, but two are central.

One is that Australian Defence policy is undergoing a fundamental strategic reassessment of relevant capabilities, structures and management. This is reflected in the current First Principles Review, in the deliberations that will lead to the 2015 White Paper, and in the ongoing prioritisation of more immediate Defence requirements and expectations, not least in relation to operations in Iraq.

In this strategic reassessment, the place of the alliance with the United States in terms of Australian interests relating to shared strategic purposes, interoperability, technology access and joint planning will be centrally important. This contemporary frame of reference adds a timeliness and edge to a focus this evening on the future contours of the alliance.

A second main reason for such a focus is that while the alliance is certainly familiar in the context of both its history and its current priorities, it is also new again – with new horizons, new contexts and new challenges.

There is a new strategic context in which the alliance is operating defined by the shifting balance of wealth and influence among the major powers and by emerging forces of economic, security, social and demographic change within the Indo-Pacific region itself. And in this context, there is a new priority for co-operation with Australia in US strategic planning.

There are also, in my view, signs of unease in Australia about aspects of the Australia-US alliance, some of which are new and some of which are acquiring new dimensions as they compound over time. This unease is not reflected in any broad-

based community misgivings nor is it apparent in mainstream political debate. It is a more restricted unease at present but it has both a constituency and the capacity to have a significantly wider influence in the future.

It is an unease reflected in various forms. Its most accentuated and categorical form is 'rejectionism' based on the view that Australia should discard the American alliance because it no longer serves Australian national interests. Another form of the unease with the alliance lies in what I see as 'strategic conditionality' based on the view that the future relevance of Australia's alliance with the United States should be related to an American acceptance of a new strategic order in Asia and the Pacific centred on sharing power with China as equals. And I will return to these forms of strategic unease with the Australia-US alliance later in my remarks.

The broader point in this context is that a healthy strategic dialogue within any country benefits from a rigorous cost/benefit analysis of the foundations on which its strategic policy is built. That is why the current debate in Australia with its range of perspectives on one of those foundations, the Australia-US alliance, is focusing and constructive.

This debate involves different visions for the future of the Australia-US alliance. Each is argued in good faith based on particular assumptions, judgements and projections. But, in my view, not all have the same compelling logic in terms of advancing Australian interests in the short and longer term.

In such debates, much can be lost by default, by complacent assumptions that the net gains from any cost/benefit analysis of the Australia-US alliance in its current form are self-evidently positive and unnecessary to be demonstrated, or simply by

not addressing with the seriousness they deserve the rationales for competing views about the future of the alliance.

That is why I see a focus this evening on the alliance, in its changing strategic context and with its different possible futures, as both timely and useful.

One of the characteristics about debates over the future of the Australia-US alliance is the predominance of limiting assumptions and artificial binary choices.

Prominent among these limiting assumptions is that China and the United States have inevitably incompatible visions of their future roles in Asia and the Pacific, and that therefore an Australian strategy of jointly pursuing the strengthening of the American alliance in its current form and the expansion of the economic partnership with China is an exercise in diplomacy that is either delusional or duplicitous. In my view, such assumptions, and the conclusions drawn from them, are more subjective judgments than self-evident strategic realities.

Flowing from such limiting assumptions, the debate over the future of the Australia-US alliance is also too often characterised by artificial binary choices – a ‘choice’ between alliance with the United States and a closer economic partnership with China; or a ‘choice’ between the US alliance and an independent Australian defence and foreign policy; or a ‘choice’ between a bilateral focus on the alliance and a more inclusive regionalist approach. Again, in my view, the binary nature of such choices does not reflect realities on the ground.

At the heart of the contemporary Australia-US alliance there is a paradox. At one level, the alliance has never been stronger as dimensions of strategic convergence and shared interests continue to grow. But at another level, the alliance is also

increasingly subject to new suggestions of vulnerability, particularly in relation to those aspects of American and Australian national interests that diverge – as they inevitably do, including on some particular security, trade and investment priorities.

The unrivalled strength of the modern alliance is apparent in the intensity of military-to-military interoperability, access to intelligence, technology transfers, the special quality of the strategic dialogue and the scope of common purposes from countering terrorism to enhancing cyber security.

There is also, however, a proliferation of new lines of criticism : that America's own domestic challenges raise questions about its longer term reliability as an alliance partner for Australia; that Australia has lost the capacity to say 'no' to American requests for military assistance; that expanding levels of interoperability are, in fact, leading to lower levels of self-reliant capabilities for Australia; and that sooner rather than later, Australia will be required to choose between the benefits of American security under the alliance and China's markets in the context of the bilateral economic partnership.

The possible futures of the Australia-US alliance range widely but, in broad terms, I see them currently coalescing around four main schools of thought.

I referred earlier to what I call 'rejectionism' which advocates the need for a categorical declaration of Australian strategic independence through abrogation of the alliance with the United States or, in a more particular way, through opting out of the core co-operative arrangements that make the alliance viable.

Rejectionists insist that the alliance has lost its relevance for Australia ever since the end of the Cold War and especially in the context of a rising Asia, and that the

Australian national psyche of dependence on 'great and powerful friends' now makes Australia more vulnerable rather than more secure. The rejectionists argue, in particular, that US policy (including its re-balance to Asia) is aimed at containing China and, as such, is incompatible with Australian interests.

Rejectionism, in my view, is built on deeply flawed premises. Its view of the Australia-US alliance as based on coercion rather than choice reflects neither the historical record nor contemporary practice. In the past, as now, Australian governments make their own choices about the balance of Australian interests in supporting the US alliance in specific situations. Those choices are extensively debated and sometimes deeply divisive – but they are the choices we make through our elected governments.

Rejectionism also has policy consequences that point to a future for Australia of armed or unarmed neutrality, or alignment with a regional strategic consensus, if one exists. None of those futures, in my view, is consistent with Australia's fundamental national security interests or values in short or long term.

A second school of thought, 'strategic conditionality', sees a viable future for the Australia-US alliance only in the context of a commitment to equal power-sharing by China and the United States in a transformed regional security order. Of course, there is always a fundamental conditionality in the alliance from an Australian perspective – namely, that the alliance, and the actions taken in its name, are consistent with Australian interests and values. But the 'strategic conditionality' to which I refer, which is linked with fundamental structural change in the US-China strategic relationship, is of a different order.

In my view, such 'strategic conditionality' misreads the dynamics of the US-China relationship. The future contours of that relationship are much more likely to be defined by a mutual search for competitive strategic advantage coupled with a mutual need for effective co-operation than they are to be shaped by the consequences of any fundamental strategic incompatibility and zero-sum rivalry. That more likely future of competition and co-operation reflects the realities of independence and interdependence which frame the modern and future interaction of the United States and China in practice.

A range of eventualities could, of course, overturn such a future for US-China relations including domestic policymaking misjudgements, or a failure of crisis management, or the actions of third parties. But in terms of one of the foundations of Australian defence and foreign policy – namely, the Australia-US alliance – it seems misplaced to base management of its future on assumptions of strategic incompatibility that are much less likely than other futures reflecting major power competition and co-operation.

There are other concerns with 'strategic conditionality' as a template for Australia's future management of its alliance with the United States. It is a concept that means different things to different people with particular points of contention focused on the intricacies of what strategic 'primacy' or 'preponderance' or 'balance' or 'equilibrium' or 'concert' actually mean in practice, what distinguishes them, and how they are each calibrated in practical terms of diplomacy and statecraft as well as ground-based, maritime and air capabilities, doctrines and objectives.

It seems to me that the future of the regional security order in the Indo-Pacific does not lend itself to conceptual neatness. It is a future that will be more dynamic, more

complex and more contested than the recent past but also one with expanding scope for co-operation that serves the national interests of key countries. It is in this strategic framework that I believe the future of the Australia-US alliance needs to be viewed rather than a framework based on a fundamentally different kind of regional order.

Furthermore, the United States is most unlikely to meet a condition for the future of its alliance with Australia that is predicated on such a structurally transformed regional security order. The United States made a very different decision over forty years ago – namely, to engage co-operatively with China and to work with China and the international community to facilitate China's economic development and sovereign engagement at all levels within the international system. China and the United States have benefited remarkably from that decision. So has the wider international community. It is a decision to which the United States remains strongly committed. And it is a decision which continues to underpin highly effective mechanisms, above and below the radar, whereby China and the United States liaise in a highly effective way on issues of current and emerging strategic risk and opportunity.

None of this means that Australia should not seek to influence American regional policy in light of our own views of the forces of strategic change in the Indo-Pacific. Of course, we should do so – and forthrightly. But that is a different approach to 'strategic conditionality' and the very different strategic order that underpins it.

If rejectionism and strategic conditionality do not offer viable frameworks for the future of the Australia-US alliance, does an approach focused narrowly on maintenance of the bilateral status quo, or some variation of it – a 'status quo plus'



approach? The short answer, in my view, is 'no' because such an essentially static and bilaterally focused approach will neither serve Australian national interests into the future nor will it meet America's changing benchmarks for alliance burden-sharing in an evolving strategic environment.

Australia's own independent defence requirements make a narrow 'status quo' approach to the alliance unsustainable. The notion of Australian 'self-reliance within an alliance framework' has often been invoked in the past and it will be even more critically relevant in the future. But our self-reliant capabilities have become much diminished over recent times. If greater substance is to be restored to the concept of Australian self-reliance in defence matters, two realities need to be addressed. The current objective to boost the Defence budget to 2% of GDP within a decade will be a necessary, but not in my view over the longer term a sufficient, requirement to achieve the objective. And the alliance with the United States will need to be managed in such a way that it enhances Australia's self-reliant capabilities rather than becoming a substitute for them.

A narrow status quo approach is also untenable because the days of ever-deeper US strategic engagement to cover for the shortfalls of others are over. The US benchmarks for burden-sharing among allies, including Australia, will encompass many dimensions that are significantly beyond the bilateral status quo including broader self-defence and near-abroad responsibilities, more diversified and interoperable assets and capabilities that can contribute to joint operations, more varied forms of regional security co-ordination and more specific ongoing contributions to strategic awareness in particular regions.

Beyond rejectionism, strategic conditionality and maintenance of the bilateral status quo, there is another option for the future of the Australia-US alliance which in my view better accommodates the national interests of both countries in a changing strategic order.

This is a modernising option for the alliance to reflect changed bilateral, regional and international developments but also to consolidate and build on traditional strengths.

Important signposts for the future of the alliance consistent with such a modernising approach were put forward in the recent Report of the Alliance 21 Project overseen by the US Studies Centre and to which (in the interests of transparency) I should declare that I was one of a number of contributory authors. This Report very usefully sets out a number of priority areas – in trade, investment, competitiveness, innovation, defence and security, energy, natural resources and the environment – which lend themselves to broadening the productiveness of the special relationship between Australia and the United States.

These are all important areas in which enhanced interaction is highly desirable. But, as in all things, focus and prioritisation will be important. In my view, the priority for the future of the alliance is a focus on what I would call ‘concerted adaptation’ that takes the alliance’s bilateral co-operative synergies to a significantly higher level but that also more deeply contextualises it in regional terms.

Taking the alliance’s co-operative synergies to new and higher levels should, in my view, include more developed forms of interoperability and joint planning built on an expanded prepositioning of US defence assets and logistical hubs in Australia, enhanced joint operating and training facilities (particularly in Western Australia and the Northern Territory) as well as more intensive bilateral co-ordination of

capabilities, technology transfers, intelligence exchanges and cyber security enhancements.

These new synergies would need to entail new functional co-operation, new funding mechanisms and new sovereignty safeguards, including potentially a version of the 'full knowledge and concurrence' arrangements that have long applied in the context of the Joint Facilities in Australia to other new forms of intensified twenty-first century alliance co-operation. Such safeguards may well be challenging and complex to negotiate but, in my view, they would be vitally important in terms of Australian community support and the avoidance of possible future misunderstandings.

'Concerted adaptation' of the alliance would also require deeper regional contextualisation. A priority for the alliance over coming years needs to be closer engagement with regional economic and security objectives, not greater bilateral distinctiveness or isolation from them. This priority calls for an alliance focus on multilateral regional institutions, minilateral forms of cooperation, traditional and non-traditional security concerns, the establishment of confidence-building measures, the advancement of regional economic development priorities, improved disaster relief and humanitarian assistance co-ordination as well as enhanced co-operation with the defence forces of regional countries in bilateral and plurilateral contexts.

Far from being seen as a means for the containment of China, this deeper regional contextualisation of the Australia-US alliance needs to include specific forms of more extensive strategic dialogue and defence co-operation among China, the United States, Australia and other regional states either bilaterally or plurilaterally. Such engagement would reflect specific shared objectives and common purposes. It would in all probability be pursued by relevant parties for reasons of both hedging and

engaging. But that does not preclude such engagement nor make it impractical and unproductive.

There would, of course, be calibrations in the intensity and closeness of such engagement among different countries. Those drawn together by alliances would engage differently to those involved in security partnerships or looser forms of shared interests. But they can all be important bridges in their own right, and they can all contribute to greater regional interaction, co-operation and stability.

What is more, it is important to recognise that engagement of this kind would be entirely consistent with established American strategic policy rather than any radical break with it. After all, such constructive engagement with China was an explicit focus underpinning the US strategy of re-balance to Asia. And, in my view, it should have similar status in a more regionally engaged Australia-US alliance.

The regional contextualisation that I believe needs to underpin a 'concerted adaptation' of the alliance should aim to consolidate important established security partnerships such as those with Japan and the Republic of Korea. But it also needs to reach out in new ways. Critical in that context are new security associations with regional states, and the relationship with Indonesia in particular.

A genuinely strategic partnership with Indonesia needs to be a core priority for current and future Australian policy. For reasons of Indonesia's size, strategic location and regional leadership, the same priority is increasingly relevant for American strategic policy in the Indo-Pacific. This complementarity needs to be seen in perspective. It does not alter the basic focus and purposes of the Australia-US alliance but it does highlight its need to engage more practically and explicitly in the regional context, and Indonesia is an indispensable part of such engagement.

Critically, this agenda for deeper regional contextualisation need not, and should not, entail any proportionate diminution in the operational, strategic and intelligence co-operation that has long distinguished the Australia-US alliance. In fact, more effective regional contextualisation should serve to enhance such bilateral alliance effectiveness, not diminish it.

'Concerted adaptation' of the Australia-US alliance aspires to neither containment nor power-sharing in any exclusive or formally agreed way. It emphasises an approach to future management of the alliance that would consolidate its traditional strengths but also build new regional synergies. Such an approach, in my view, would better reflect the realities of major power competition and co-operation in the current and prospective regional security order. It would more comprehensively accommodate the need to build common ground while guarding against uncertainty. And it would more effectively calibrate the realities of strategic change and continuity that define regional and global power.