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STRATEGY

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Agenda for change 2022

Shaping a different future for our nation

Edited by Gill Savage

February 2022

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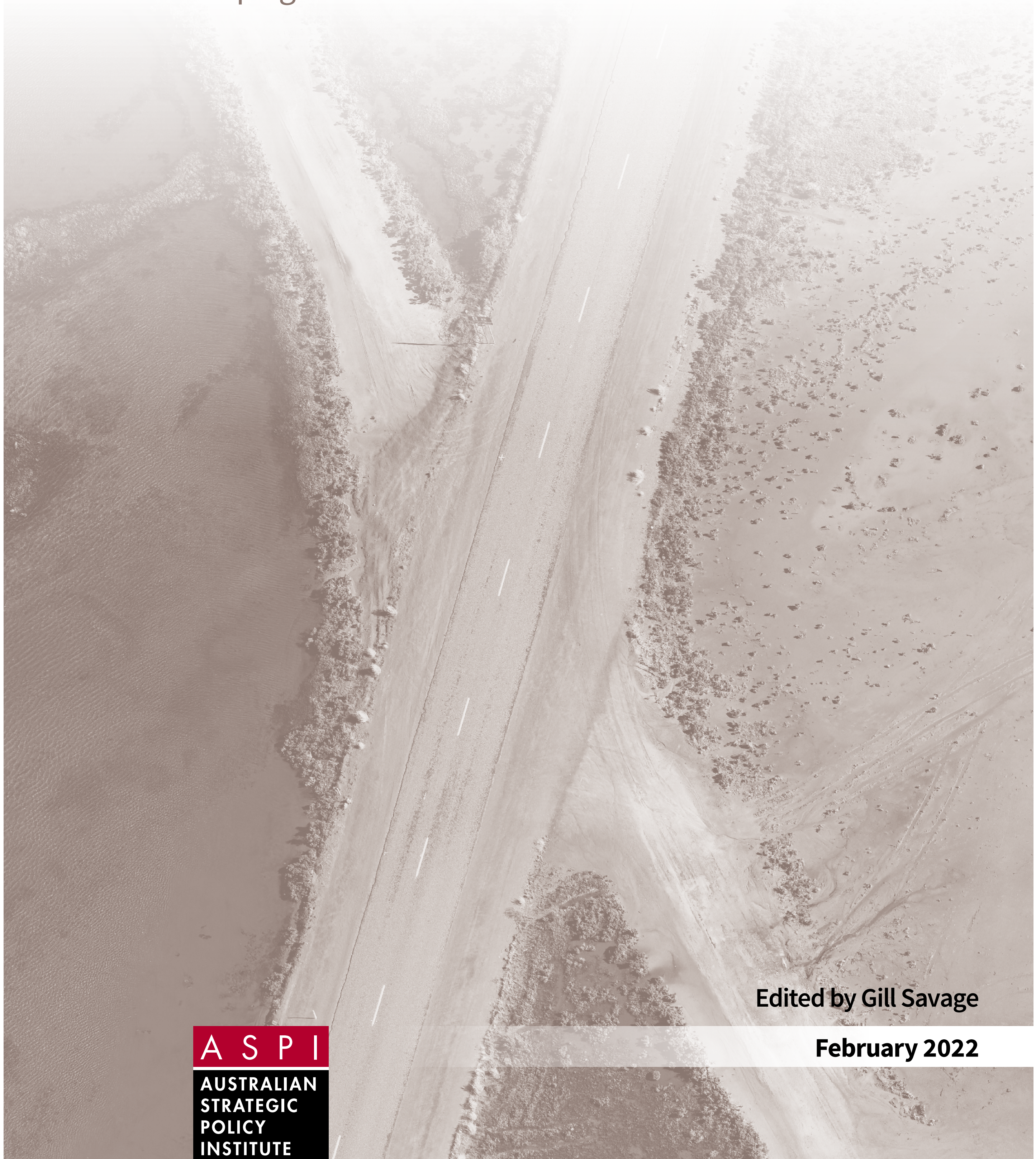

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Introduction

Gill Savage

Before Covid-19, we comforted ourselves with the notion that 'the more things change, the more they stay the same.' The decades leading to 2020 were filled with a sense of opportunity for those who chose to pursue it. Whether or not that was what happened would, I'm sure, be the subject of heavy debate.

In 2019, it was hard to imagine the dislocating impacts of the Black Summer fires, Covid-19 in 2020 and then the Delta strain in 2021, trade coercion from an increasingly hostile China, or the increasingly uncertain security environment. ASPI's *Agenda for change 2019: strategic choices for the next government* did, to a great extent, imagine a number of these things, including in Peter Jennings's chapter on 'The big strategic issues'.

Fast forward to today, and many things have changed. That also applies to the policies and programs we need to position us in a more uncertain and increasingly dangerous world. An economically prosperous and socially cohesive Australia is a secure and resilient Australia.

It's tempting for politicians, business leaders and bureaucrats to want things to go back to the way things were, as has been the case for previous crises, be they natural disasters such as the 2019 bushfires, economic impacts, such as the global financial crisis, or security challenges, such as the post-9/11 environment. But rolling and concurrent crises are a growing feature of our future. Our prosperity depends upon us solving multiple challenges with a smaller number of solutions and continuing to value independent expert advice.

Agenda for change 2022: shaping a different future for our nation, like the agendas we published in 2016 and 2019, is being released in anticipation of a federal election. But there are differences this time around.

This agenda acknowledges that what might have served us well in the past won't serve us well in this world of disruption and rolling crises. A public policy plan jam-packed with initiatives is one of those things we took for granted in the past.

While those initiatives may have been useful, they tended to perpetuate siloed thinking and actions and downplayed interconnectivity. One example is the adverse impact that just-in-time supply-chain management is having on national resilience during the Covid pandemic. And if that wasn't enough to open our eyes, we had limited understanding of the reach and traceability of those supply chains, which in large part were revealed only when we experienced the consequences: manufacturing bottlenecks and single points of failure.

So, the key question that *Agenda for change 2022* seeks to answer is this: if a government can focus on only a handful of impactful initiatives, what should it pursue first?

In response, we've developed an expansive agenda of 'big ideas' that recognise that Australia's security and resilience are achieved through an inclusive national agenda that faces the intractable issues head on, embraces inherent complexity and adopts a whole-of-nation view.

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In this agenda, Peter Jennings looks back to his 'four big problems' from *Agenda for change 2019* to see where we've landed. We also explore eight big ideas that span trade and economics, nation building, social cohesion, democracy and the space domain.

Our 2022 big ideas sit under the banners of 'Getting our house in order' and 'Australia looking outward'.

Getting our house in order

How Australia should:

- innovate, bringing together intersecting opportunities, to integrate economic prosperity, social cohesion and national security
- reshape our counterterrorism agenda to focus on the preventive, tactical and operational measures that keep Australia secure and our citizens safe
- change the aperture of social cohesion to generate new opportunities, accelerate economic growth and reduce the conditions for social division.

Australia looking outward

How Australia should:

- re-energise our contribution to our region
- develop a regional climate change risk assessment
- connect strategic, technological and economic interests
- exploit disruptive innovation in the space domain
- get more value from our free trade agreements.

Of course, the big ideas we propose here aren't the only important ones. Given ASPI's mandate for fostering public discourse on policy ideas, we had many more big ideas that we could have proposed. The big ideas we put forward here are a cross-sectoral framing that's been absent in public policy over recent years. These are the big ideas needed to address the big challenges that we're facing now.

Agenda for change 2022 intends to promote public debate and understanding of issues of strategic importance to Australia. Therefore, the views expressed in this volume are the personal views of the authors and don't represent the formal position of ASPI on any issue.

'The more things change, the more they stay the same' might have been appropriate in the past to shape our thinking and guide our policies, but, in these complex times, it's become a cop-out.

We need to embrace uncertainty, engage with complexity and break down the silos. Our economic prosperity, national resilience and security depend upon it.

OK, Boomers: enough with the diversions and divisions. And enough with Gen X lamenting that it doesn't have influence. There's a lot to get on with.

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The big strategic issues in 2021 and beyond

Peter Jennings

In their natural habitat, strategists are solitary creatures, but if they formed a club its motto should be: 'Well, I didn't see that coming.' For all but a tiny inner circle of policymakers, that was surely the exclamation on the morning of 16 September 2021 when President Joe Biden, his 'pal' from 'down under' Scott Morrison[1] and British Prime Minister Boris Johnson announced the formation of the 'enhanced trilateral security partnership': AUKUS. An excited *Economist* magazine declared AUKUS to be as profound a strategic shift as 'Nixon going to China in 1972 and the fall of the Berlin Wall in 1989'.[2]

Well, we'll see in time whether that prediction is correct. What's clear is that Australia has undergone a deep strategic change since the publication of ASPI's last *Agenda for change* report in February 2019. In that document, I set out four areas for urgent government policy attention. As all strategists should, I report on how those ideas sank or swam in the past few years. First, though, let's quickly review the big strategic challenges as they developed during this term of government.

Three turbulent years

Consider the tectonic strategic movements, both domestic and international, currently dominating Australian policy thinking and political calculations.

2019 was 'Australia's hottest and driest year on record', giving rise to a catastrophic bushfire season in which 24 million hectares were burned, 33 people lost their lives, more than 3,000 homes were destroyed, and three billion animals were killed or displaced. The financial impact was estimated to be over $10 billion.[3] The bushfires changed Australia's national conversation about climate change. A subsequent royal commission into natural disasters found that 'Extreme weather has already become more frequent and intense because of climate change; further global warming over the next 20 to 30 years is inevitable.'[4]

Late 2019 saw the arrival of the Covid-19 pandemic, which in my judgement was the result of an 'accidental' leak of the virus from the Wuhan Institute of Virology in the People's Republic of China (PRC).[5] At the time of writing (mid-November 2021), more than 5 million Covid-19 deaths have been reported globally, along with a quarter of a billion infections.[6] The pandemic created the worst global economic situation since the Great Depression, became the overwhelming political and policy priority for most governments and remains a profound and untreated threat for much of the developing world.

The arrival of Covid-19 coincided with the final unveiling of Beijing's 'wolf-warrior diplomacy'—an aggressive, hypernationalistic zero-sum-game strategy designed to promote the interests of Xi Jinping (now effectively president for life) and the Chinese Communist Party at the expense of the global strategic balance. Australia found itself at the uncomfortable centre of this nastiness, ostensibly because of Scott Morrison's call for an investigation into the origins of Covid-19. A list of 14 grievances released to the media by the PRC embassy in Canberra in

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November 2020 showed that the broader cause of Beijing's ire was Canberra's systematic attempts to stop the PRC weakening our political and economic system. Beyond Australia, a more openly threatening China has produced (surprise, surprise) greater push-back from countries feeling under threat.

The Trump meteor streaked through American politics, agitated allies, lowered trust and increased voters' scepticism. Joe Biden promised a return to a globally engaged America but followed Trump's lead to engage with the Taliban and disastrously withdraw from Afghanistan after a 20-year anti-terrorism and stumbling quasi-nation-building effort. A chaotic and rushed withdrawal gave rise to questions about Washington's capacity for or interest in remaining the world's indispensable security provider. By contrast, AUKUS is a powerful expression of the US purpose to stay engaged and work with allies, but America remains inwardly focused and divided. Barely a year into his presidency and with congressional mid-term elections looming, Biden's capacity to revitalise a globalist, involved America looks far from certain.

There have also been profound changes to Australian defence thinking. Scott Morrison's judgement, expressed in the July release of the 2020 Defence Strategic Update, pointed to profound concerns:

> … we have not seen the conflation of global, economic and strategic uncertainty now being experienced here in Australia in our region since the existential threat we faced when the global and regional order collapsed in the 1930s and 1940s.
>
> That is a sobering thought, and it's something I have reflected on quite a lot lately, as we've considered the dire economic circumstances we face.
>
> That period of the 1930s has been something I have been revisiting on a very regular basis, and when you connect both the economic challenges and the global uncertainty, it can be very haunting.[7]

Those worries gave rise to rapid (by Australian standards) shifts in defence policy priorities. Now there's greater emphasis on efforts to strengthen Australian and allied deterrence capabilities, including larger and more frequent 'rotations' of US military units, domestic missile production and plans to acquire an array of longer range weapons, including cruise missiles, the Long-Range Anti-Ship Missile and hypersonic missiles.

The announcement of AUKUS capped off a turbulent three years. AUKUS proposes to deepen defence science, technology and industry collaboration between the three countries in a number of exotic areas, including 'cyber, artificial intelligence, quantum technologies, and additional undersea capabilities.'[8] Most prominently:

> The first initiative under AUKUS is for Australia to acquire nuclear-powered submarine technology, leveraging decades of experience from the US and UK. Under AUKUS, the three nations will focus immediately on identifying the optimal pathway to deliver at least eight nuclear-powered submarines for Australia.[9]

At one stroke, the Australian Government, quickly supported by the opposition, abandoned a longstanding prohibition on nuclear propulsion for submarines and chose to 'no longer proceed' with the plan to build the French-designed Attack-class submarine in South Australia. The plans for AUKUS are astonishingly ambitious. The 'optimal pathway' is to be identified in 18 months; that is, by March 2023. It will take every ounce of Canberra's capacity to shape implementable plans in that time. ASPI called for the government to 'prepare the ground for nuclear propulsion' in our *Agenda for change 2016* report. Five years later, it's remarkable that such a major policy shift happened with barely a public murmur.

It's one thing to talk the language of crisis but quite another to move with urgency and a real sense of purpose. After focusing for years on methodically designing force structure priorities for the late 2030s, does the Defence organisation have the capacity to deliver those outcomes at pace? Defence Minister Peter Dutton described the key strategic challenge:

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> [China's] been very clear about their intent to go into Taiwan and we need to make sure that there is a high level of preparedness, a greater sense of deterrence by our capability, and that is how I think we put our country in a position of strength. My job is to get the organisation into that frame of mind.[10]

Note the underlying tone of frustration in that last sentence.

The period since the March 2019 election could hardly have been more turbulent for Australia's international security interests. Whoever is in government after the next election will face immense policy challenges. How best to strengthen Australia's position against an angry, nationalist China? How best to shape and support American engagement? How to strengthen our regional friends and how to rapidly boost the capabilities of the ADF, and plan for nuclear submarines. Those will be the vital tasks of the Australian Government over the next term of office.

Here are my top four strategic tasks for the next government.

Extract maximum value from AUKUS

You might expect a strategist to argue that AUKUS needs a strategy. Inside the daily whirl of government, calls for weighty white papers and seriously structured strategy statements are often met with eye-rolling disinterest: 'Don't you realise how hard it is to ride this unicycle?' tired staffers exclaim. 'Isn't it enough that we've delivered AUKUS, without us being asked to write all this down?' Strategy statements carry risk for governments, too. They constrain policy flexibility. Facts on the ground can change faster than Canberra's policymaking machinery. Isn't it best to remain adaptable?

The counterargument is that the absence of a clearly articulated plan allows drift and denies the public a clear explanation of policy thinking. Contrast the relative success of the government's mid-2020 Defence Strategic Update with the unmitigated disaster of the failure of the Attack-class submarine project. In a succent 60 pages, the strategic update clearly explained the risks posed by an assertive China and made the case for an urgent national response. It's the sharpest explanation of Australia's defence dilemmas yet made by government.

In the 2019 edition of *Agenda for change*, I argued that a key policy priority for government was to win the public debate on submarines: 'It's a dangerous practice to try to give life to Australia's largest public enterprise since the Snowy Mountains Scheme as though it's some kind of "black project", undiscussable in public.' The public debate was lost because no one was prepared to make it. Australia can't afford to sink AUKUS in the same way.

The government should use the following elements in a strategy designed to explain AUKUS and to extract the maximum benefits from the partnership:

- The Prime Minister should make a statement to the Australian Parliament setting out the strategic case for AUKUS and identifying the key deliverables needed at the end of the 18-month pathway to deliver nuclear-propelled submarines. We need a similar timetable for the other technology areas identified as AUKUS priorities. A considered, written ministerial statement is an old-fashioned way to make policy, but writing stuff down for the purposes of explaining policy publicly is a valuable discipline.
- The government should then allow a lengthy debate in parliament, giving as many members and senators as possible the opportunity to express their views on AUKUS. We need to see where our politicians stand on this issue, and they all need to have spent some time thinking through their views on this critical development.
- Finally, the government needs to go back to first principles and produce a policy statement making the case for nuclear-propelled submarines. It would be hard to think of a more consequential policy issue that has been less publicly explained. The government needs to explain itself, make the case, write it down and repeat the basics until it's blue in the face.

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Undertake a review of Australian defence capabilities

The mismatch between Australia's immediate strategic needs and the bulk of investment in developing future military capabilities is becoming glaringly obvious. Unfortunately, the larger part of the $270 billion planned for investment in capability development in the 2020s will have little impact on Australia's defence position over the next few years, when the strategic fate of the Indo-Pacific could well be decided. AUKUS and the government decision to promote domestic missile production may bring needed capabilities into service sooner, but long timelines are inherent in those announcements.

It's time for an independent review of Australia's defence capabilities, the like of which we haven't seen since Paul Dibb's review in 1986. That study was valuable precisely because it was done at arm's length from the Defence organisation, even though Dibb and his team were from Defence. White papers come from the Defence organisation, and the temptation for Defence is to stick with its past investment decisions. Government needs to find a way to break with that pattern and to apply fresh thinking to our capability plans—thinking that isn't invested in sustaining policy continuity.

Commissioning an independent review of defence capability will:

- rebase the capability plan against current and emerging strategic developments
- give insight into cost and capability trade-offs aimed at strengthening ADF capability inside the next half-decade
- enable a more prominent consideration of the impact on capability of new and emerging technologies, including autonomous systems
- advise government on areas where, as with the Attack-class submarines, the best option may be to end projects and look for better solutions.

Just as for Dibb's report, the government does have an option not to accept all the recommendations of an independent review. What is critical here is the need for a fresh consideration of policy settings that have accreted like stalactites and take just about as long to grow into reality.

Lift Australia's Southeast Asian strategic and diplomatic game

Southeast Asia is emerging as the epicentre of a competition for influence between China and the world's consequential democracies. The region—'maritime Southeast Asia'—also appears in the *2016 Defence White Paper* as a central preoccupation: 'We cannot effectively protect Australia if we do not have a secure nearer region, encompassing maritime South East Asia and the South Pacific.'[11] Therefore, the White Paper provided for 'a more active and internationally engaged Defence posture' in those regions.[12] While it's true that Defence has lifted the tempo of engagement, across the whole of government Southeast Asia hasn't received the level of attention needed, given the urgency of the strategic situation. The government should address this by fashioning a Southeast Asian equivalent to the Pacific Step-up, which has become a centrepiece of Scott Morrison's foreign policy.

Elevating the position of Southeast Asia in Australia's regional policies would require the following policy shifts:

- The Department of Foreign Affairs and Trade (DFAT) needs a substantial injection of funding to enable deeper regional engagement. Even more important than money, DFAT needs to rediscover its policy mojo. The department has seemed largely absent from the field on some of the biggest strategic and foreign policy questions of the day.
- Australia should look for opportunities to increase our profile and range of activities in Southeast Asia, including looking to bring larger numbers of students from the region to our universities, addressing pressing needs for Covid-19 vaccines in developing countries, and doing more to strengthen regional resilience against Chinese covert interference and grey-zone tactics designed to weaken ASEAN.
- Through AUKUS and the Quadrilateral Security Dialogue, we should help to develop a shared approach towards Southeast Asia that lifts the regional engagement of the world's democracies.

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A failure to deliver on a more ambitious regional plan for Australia's engagement with Southeast Asia will make the region more susceptible to Chinese domination, fundamentally eroding Australia's position and forcing a rethink of our basic defence policy settings. We need to understand also that the arrival of AUKUS signals a clear American expectation that Australia will lead more in the Indo-Pacific to reinforce regional security. The less we do, the less interested Washington DC will be in delivering on the promise of AUKUS technology cooperation.

Strengthen the quality of policymaking

Across all areas of policy and levels of government, it appears that the quality of policymaking is declining as political leaders face increasingly complex problems and a faster pace of decision-making. An Australian NGO, the Evidence-Based Policy Research Project, has tracked the decline of policy over the past four years, rating the federal government's performance as 'mediocre' against best practice measures of policymaking.[13] The group's 2021 annual assessment, released in November, assessed that 'governments continue to only "loosely follow" good decision-making procedures including public exposure.'[14]

That's certainly evident in the defence and national security field, where vastly expensive and complicated policies seem often to be announced with a short media release and little by way of detailed explanation and opportunities to explore the implications of policy. The conduct of 'policy by press conference' undermines public confidence in governments and risks poor outcomes and unintended consequences. After the 2022 federal election, the government should recommit to orderly policymaking by:

- reinforcing the importance of orderly cabinet decision-making processes
- developing a mechanism to fast track defence capability decision-making
- supporting a public review of decision-making about the Attack-class submarine project to extract policy lessons
- make more use of parliament as the appropriate place to announce and debate key policy issues.

The 'big strategic challenges' of 2019: what happened?

In *Agenda for change 2019*, I presented four recommendations for big strategic policy initiatives.[15] Were any of them addressed by the government of the day and subsequently? Table 1 presents an admittedly subjective assessment of how those recommendations faired over the past three years.

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Table 1: *Agenda for change 2019* recommendations

Key recommendations	Did it happen?	Rating
Government must do a better job of telling its policy story to the nation.	There was significant improvement on a number of fronts, including building AUKUS and the Quad; pushing back against China's wolf warriors and even, arguably, on climate change. But it seems that the more media channels are available for communication, the harder it has become for the government to find a distinctive and confident voice on national security.	Credit (can do better)
Win the public debate on submarines.	The termination of the Attack-class submarine project was the end point of a spectacular failure to explain the project to the Australian people. The complete absence of any attempt to make the case for the government's own policy choices (albeit under Malcolm Turnbull's leadership) is mystifying. That can't be allowed to happen with the AUKUS nuclear-propulsion plan.	Fail
China is emerging as the most significant threat to regional and global stability. We must face this problem or risk being overwhelmed by it.	The 2020 Strategic Update brought a necessary injection of realism into strategic policy, as has the government's systematic efforts to push back against Chinese covert political interference. At times, ministers struggle to make it sound as though regional instability is not (or not only) the product of Chinese assertiveness, but the arrival of Beijing's offensive wolf warriors has made it possible for the government to be more up front with Australians about the problems we face. At long last, it feels as though we're on the right policy track to reduce our economic dependence on China, fortify against a full court press of overt and covert interference and build international partnerships with like-minded countries to bolster our position.	Distinction
Embrace an ambitious new technology agenda for defence by establishing an Australian version of the US Defense Advanced Research Projects Agency (DARPA).	That didn't happen, although there are indeed signs that the government is becoming more open to the DARPA model. The case for more rapid capability development is well understood. We're optimistic that the next term of government might see the emergence of a DARPA model, perhaps in conjunction with the US DARPA and the British equivalent, focused on AUKUS delivery.	Provisional pass

Notes

1 President Biden's folksy acknowledgement of Morrison ('Thank you, Boris. And I want to thank that fellow down under. Thank you very much, pal. Appreciate it, Mr Prime Minister') can be found in the transcript of the virtual announcement, online.

2 The Economist, 'The strategic reverberations of the AUKUS deal will be big and lasting', *The Australian* 20 September 2021, online.

3 'Foreword', *Report*, Royal Commission into National Natural Disaster Arrangements, 28 October 2020, online.

4 'Overview', *Report*, Royal Commission into National Natural Disaster Arrangements, paragraph 23.

5 I explain why I think this is the most likely source of the pandemic in 'Eight reasons I think Covid escaped from the lab', *The Australian*, 28 May 2021, online.

6 The figures are drawn from 'Coronavirus world map: tracking the global outbreak', *New York Times*, 14 November 2021, online.

7 Scott Morrison, 'Address—Launch of the 2020 Strategic Update', speech, 1 July 2020, online.

8 Scott Morrison, 'Australia to pursue nuclear-powered submarines through new trilateral enhanced security partnership', media statement, 16 September 2021, online.

9 Morrison, 'Australia to pursue nuclear-powered submarines through new trilateral enhanced security partnership'.

10 Troy Bramston, 'No regrets: a hard man with the right stuff', *The Weekend Australian,* 13 November 2021, online.

11 Department of Defence (DoD), *2016 Defence White Paper*, Australian Government, 2016, paragraph 1.16, online.

12 DoD, *2016 Defence White Paper*, paragraph 5.2.

13 Evidence Based Policy Research Project, *Our story*, 2020, online.

14 Dennis Shanahan, 'Standard of government policy decisions declines', *The Weekend Australian*, 13 November 2021, online.

15 Peter Jennings, 'Agenda for change 2019: the big strategic issues', in Marcus Hellyer (ed.), *Agenda for change 2019: strategic choices for the next government,* ASPI, Canberra, February 2019, online.

Getting our house in order

Innovative nation building needs innovative policy settings

Gill Savage and Dr John Coyne

The past 18 months have revealed deficiencies in almost everything we once accepted as normal. More importantly, the period has exposed flawed assumptions and highlighted overoptimistic assessments. As impressive as it is, we continued to rely too much on our national ability to come together in the face of adversity.

The effectiveness of government policies and programs, the way in which we measure financial success and our understanding of how policy affects the community are all areas shown to be lacking. An increasingly untrusting electorate is even less comfortable with the 'just trust us' approach to policy development.

We need an innovative approach that's focused on ambitious, not nationalistic, nation building. That new approach requires governments to engage with our 'now' as well as our future and to adopt a more holistic, joined-up view of nation building.

Our Covid-19 experiences continue to reinforce for us that what we thought served us well in the past didn't and won't into the future. We're yet to shift our thinking towards rolling and concurrent crises, ensuring solutions solve multiple challenges and valuing independent expert advice, but our prosperity depends upon it. We need national solutions that take a long-term view and acknowledge that neither globalisation nor market forces will deliver what we need or want.

The term 'nation building' is one that holds lots of cultural meaning for some but little meaning for others. In Australia's post–World War II years, it was focused on huge infrastructure investments such as the Snowy Mountains Hydro-Electric Scheme, which began in 1949, cost $820 million and took 25 years and a workforce of 100,000 to complete (Figure 1).

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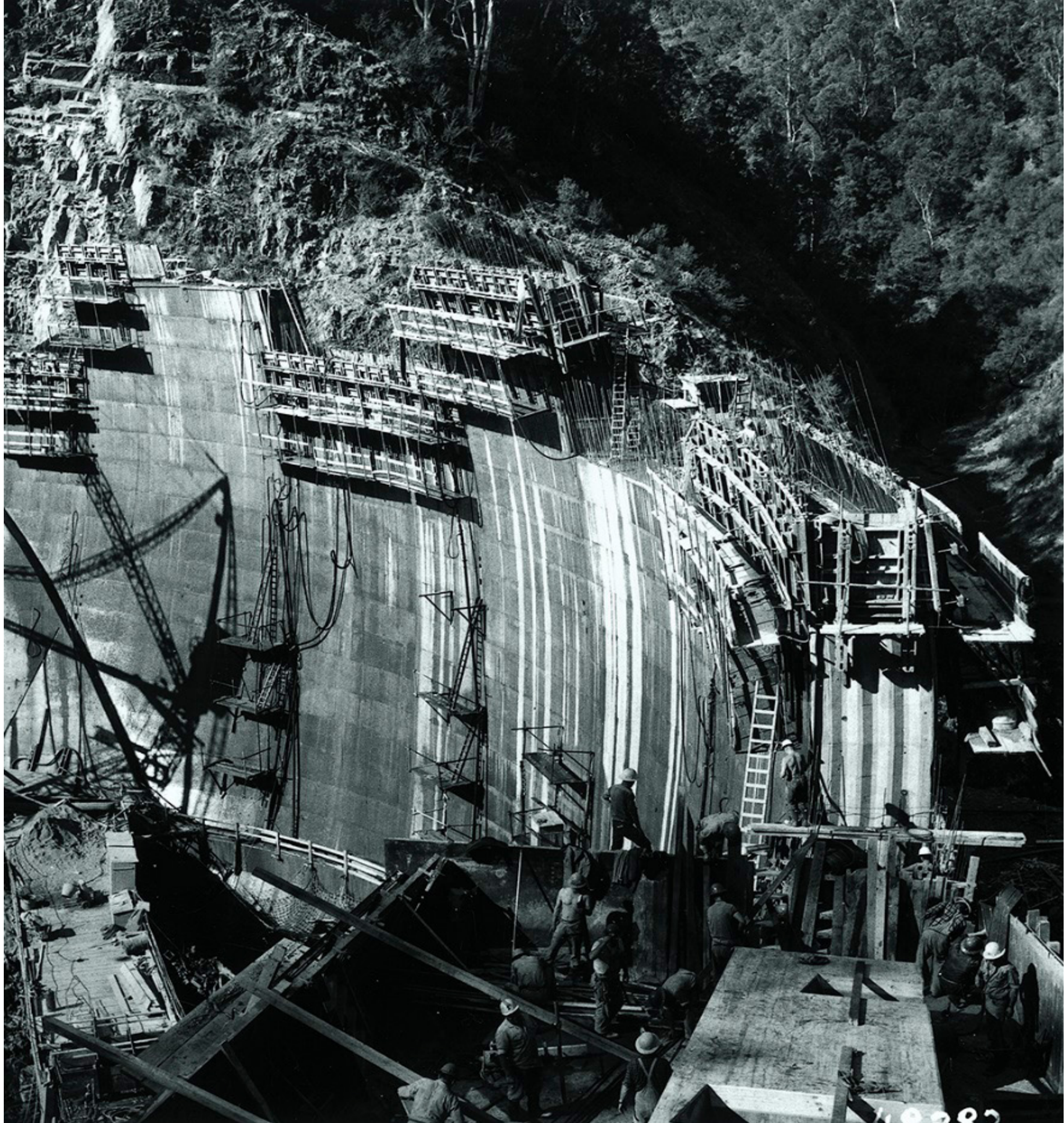
Figure 1: The high, arched concrete wall of Murray 2 Dam under construction, 1967



Source: Snowy Hydro, online.

Other nation-building initiatives that followed included the Western Ord River Irrigation Scheme (1959) and Queensland's Burdekin Dam (1984). While those were impressive in scale, they didn't have the same nation-building impact as the Snowy scheme. Each of those projects is a cultural artefact of a period in Australian history when governments thought big and had the will to not just accept risk, but meaningfully engage with it. Admittedly, the governments of the day enjoyed high levels of public trust.

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What we now tag as nation building tends to be investment in roads and rail, as opposed to more impactful investment that strategically contributes to the current and future economic, social and environmental prosperity of Australia. The new nation-building projects provide economic sugar hits for jobs. The seas of roads in Brisbane, Sydney and Melbourne provide communities with faster travel, as well as tangible evidence of their governments at work, but are they really building the foundations for Australia's future economic, social and strategic future? Are they enhancing our resilience?

Australia is at risk of rebounding from Covid by just getting back to the old way of doing business despite the world having changed and continuing to change. Strategic competition between the US and China, along with collective global challenges, mean we must understand more about vulnerabilities and what we can and can't rely upon. Planning and forethought need to go beyond a short-term jobs-acceleration agenda and infrastructure investment. Road and rail transport corridors connecting big cities aren't nation defining. The future success of the next generation of innovative and entrepreneurial Australians can't be left to the whims of market forces and foreign investment alone.

Nation building in the past was initiated, funded and driven by governments, but there's a shift happening. Governments are no longer in the driver's seat to the same extent. Increasingly, industry, entrepreneurs and social enterprises are leading by capturing our imagination with a vision of a different future that's more prosperous, cohesive and secure—one that's built on smart and innovative ideas that leverage technology to drive new ways of thinking and doing.

Australian innovators are rethinking and reshaping how we do things and who does them. They're building solar farms to generate power not just for domestic use but also for export. Sun Cable's solar farm in the Northern Territory will export power to Singapore via a subsea cable, delivering 20% of Singapore's power. This is the kind of nation building that rejects old paradigms and charts a different future. The successes of such bigger thinking shouldn't be left in the hands of boardrooms of private equity firms.

Companies are also reconceptualising the manufacturing and production lines of last century. SPEE3D produces industrial-quality metal parts in a fraction of the time by using metal cold spray technology in 3D printing. The benefits are smaller, targeted production runs that use less resources and minimise whole-of-life-cycle waste. The potential for 3D printing to reinvent and revitalise manufacturing in Australia is enormous. Innovating in this space will always require a degree of perseverance and a measure of good luck, but governments do have the ability to shorten the odds for success.

And the construction of a 20,000+ kilometre, $1.5 billion hyperscale national fibre network by Queensland-based HyperOne will create more than 10,000 new jobs during construction. When complete, it will support tens of thousands of jobs nationally in industries such as cloud computing, data centres, the environmental sciences, space vehicle launches and the aerospace, satellite and defence industries, as well as servicing local distribution networks such as the National Broadband Network and mobile operators.[1] Success here requires the innovator to bring all of those stakeholders along on a journey, which is no easy task in an economy focused on allowing market forces alone to dictate acceptable risk.

These examples have many things in common. The obvious one is that they're nation-building ventures conceived and funded largely by the private sector, entrepreneurs and innovators.

The second thing they have in common is that they're contemporary solutions for contemporary times. They challenge the very core of an obsolete manufacturing paradigm, the inadequacies of just-in-time supply chains and the notion that Australia's best value-add is through exports of raw materials.

And they prove that anything is possible if we step off the well-worn track.

Those entrepreneurs didn't wait passively for governments and their bureaucracies to analyse, ponder and fund narrow or outdated initiatives that perpetuate sugar-hit infrastructure investment.

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But government does have a role and responsibility in incubating and nurturing our nation's future economic, social and strategic success (Figure 2). It's not a passive role; nor is it without risk. Finding a starting point for this body of work needn't just be about finding new money or starting new funds or a new financing facility, but better leveraging what's already being spent.

Figure 2: New lanes of the Monash Freeway between Huntingdale and Warrigal Road

Source: Major Road Projects Victoria, online.

Given the size and the scale of its budget, the Defence organisation has the most to gain from adopting an 'almost anything is possible' paradigm. Defence capability is decades in the making and, to date, Defence's projects are plagued with cost and schedule overruns. Defence has yet to prove that it has operationalised the 2020 Defence Strategic Update through its force structure—it no longer has the time to passively analyse, plan and fund capability that won't be delivered for decades. The current strategic context might be just the kind of opportunity to kickstart a new era of nation building.

Boeing's recent announcement that it will build a manufacturing facility near the Wellcamp Aerospace and Defence Precinct near Toowoomba to produce the Loyal Wingman drone highlights the company's confidence in local manufacturing and production.[2] The potential benefits that will flow to regional communities from defence spending are, in short, nation building.

But the economics that work in the south don't work well in the north. Defence spending in the north is small compared to the Victorian economy but substantial when compared to the economies of the Northern Territory and Far North Queensland. It's important to appreciate that market forces won't drive nation building in regional areas and won't address the 'boom and bust' cycle that the governments in those locations weather.

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One big barrier to modern innovative nation building is our conservative appetite for risk and a perpetuation of the cultural cringe reminiscent of the 50s, 60s and 70s. Coined in 1950 by AA Philips, the term 'cultural cringe'[3] was used to describe a fondness for works by overseas artists and writers—anything 'Australian' was viewed as inferior. Over time, the term's coverage evolved beyond the arts and into all aspects of society, including equity investment.

The perennial problem to solve is that Australian innovators and entrepreneurs have difficulty attracting equity from public and private investors in Australia. It's a different story if there's tangible investment interest from overseas, predicated on the requirement, of course, to shift the innovation abroad. However, innovation often requires a leap of faith that engages with risk and, in a national sense, that gives weight to resilience and sovereignty.

We continue to be fearful of going it alone, but we shouldn't wait for overseas investors to fund our disruptive nation-building innovations and big ideas.

While we acknowledge that governments are no longer in the lead, governments do have a role in normalising our policy settings to our contemporary environment. Governments also have the equity and social licence to become anchor tenants for infrastructure and to initiate markets that generate demand and facilitators of opportunity.

It's important to state from the start what 'normalising' isn't. It's not about cutting red tape. The many attempts to do that over successive governments in recent years have only served to confuse and convolute existing arrangements. Those well-meaning attempts to remove red tape have at times resulted in adding more tape, confusing many and imposing added burden. It may be an obvious point to make, but it's not cutting if nothing is removed!

And it's easy to blame investment analysis, tortuous planning and approval processes and slow delivery by the public sector—the favoured focus of damning reports by auditors-general and forensic scrutiny by Senate committees. While improvements (and in some cases significant ones) are needed here, something more fundamental is required.

Others might say that the public sector's appetite for risk needs to change, but the sad news is that the bureaucracy has spent decades adapting its 'appetite' for risk, with little shift. An agile public sector that can embrace risk continues to be unattainable. We can't expect a workforce selected largely because of its conservatism to become agile and not risk averse. Let's face it, the Australian National Audit Office and Senate Estimates committees don't reward public servants for doing risky things, especially if those things involve taxpayers' money.

There's a level of innovative thinking inherent in entrepreneurialism that public servants will never have and, more importantly, we don't want them to have. And public-sector innovation hubs aren't the answer, given the growing sense that they focus more on (internal) continuous process improvement than on driving innovative national policy.

Innovative nation building needs both equity investors and anchor clients. This quickly becomes a circular issue. To secure equity investment, nation-building innovation needs anchor clients, but anchor clients are seeking the confidence that comes from a funding commitment; that is, from an equity investor. This isn't a new problem but is particularly challenging in this area. Needing one to get the other is more than frustrating!

China has used its near-monopolistic control of the global supply chain for rare-earth elements to strategic advantage against both the US and Japan. The two countries have attempted to break China's grip on rare-earth production over recent years by using new 'green' techniques. China routinely adjusts its domestic production quotas and subsidises rare-earth prices to strategically flood the market when it wants to drive out competitors and deter new market entrants.

Australia has the world's sixth largest reserves of rare-earth minerals, although they remain largely untapped, as only two mines produce them. The largest by far is the mine at Mt Weld in Western Australia, which is owned by Australia-based Lynas Corporation Ltd. In February 2021, the Pentagon announced that it had awarded Lynas a

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second contract to develop a rare-earth processing facility in Texas.[4] The US Government has used its own funds to become an anchor tenant for Australian rare-earth elements.

Another common story we hear is that the public sector is fearful of giving even informal, implicit support on the basis that that support may be perceived as an endorsement or a commitment to fund.

Within Defence, that approach is even more prevalent. Proponents of nation-building infrastructure projects in northern Australia often seek Defence support. Often, the response from Defence commanders is that they'll use the infrastructure (such as a road corridor or a rail cutting) if it's built but won't say so publicly. Even a small indication that Defence would use the proposed infrastructure (particularly when it makes clear sense to do so) would have a major influence on investors' and anchor clients' confidence.

The policy settings and thinking of last century aren't fit for our post-Covid world. We need to normalise those policy settings by reframing our thinking on nation building and redefining the role of governments. But how do we achieve that?

What's needed now?

We need to start by acknowledging that modern nation building will be achieved only by pursuing innovative big ideas that integrate economic prosperity, social cohesion and national security, and by accepting that picking winners is neither easy nor without risk. To achieve that, and reduce the risk, we need to bring together intersecting opportunities, as opposed to pursuing them in silos or isolation. The key change here is embracing complexity rather than shying away from it.

The Australian Government's vast spending power creates an opportunity to foster an environment that encourages innovative nation building. The government should ask the Productivity Commission to report on incentive structures (such as tax incentives for business) that can be applied across all areas of federal government spending to drive nation-building entrepreneurialism by businesses.

A key part of normalising policy settings also requires the public sector to recognise the potential of a disruptive nation-building idea and take it to the next step, however big or small that step might be. Entrepreneurs usually have commercially developed business cases that support their approaches to the market. Those business cases may need verifying, amplifying, or both, to highlight interconnections, but the public sector's expertise is often applied to critique and dissect business cases. An approach that enhances and contributes to business cases, rather than dissects or replicates them, is needed.

There's also a need to measure public-sector performance by the extent to which the senior executive sources and facilitates cross-sectoral nation-building initiatives. A simple but formal key performance indicator within senior executive performance agreements will get people to pay attention. Defence commanders likewise have an important role to play; we should require them to formalise their intent to use proposed or planned infrastructure.

And what comes next?

Australia needs to develop differentiated economic models to drive more tailored nation building. The models applicable to investment in our southern populated areas are different from those needed for less densely populated regional and northern areas of Australia. One-size-fits-all thinking was never a fair approach. As part of this, new policy proposals should incorporate nation-building impact assessments.

We should also establish a fixed-term nation-building commission. Answering to the Prime Minister and modelled on the National Covid-19 Coordination Commission, the new commission would identify innovative nation-building initiatives and fast-track adoption by facilitating engagement between innovators, equity investors and anchor clients.

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Our regulatory reform programs must remove barriers to nation building. Australian regulation attempts to 'catch out' wrongdoers, but in the process imposes burdens on those who are doing the right thing. A current example is the new requirement for all Australian company directors to obtain a Director ID as a way of preventing 'phoenix' directors. Improving the application of behavioural economics and nudge theory to guide regulatory reform is essential.

Lastly, we need a nation-building category within the Future Fund. The irony is that innovators struggle to attract Future Fund investment because they aren't competitive according to traditional methodologies for assessing and managing investment opportunities. A nation-building category would attract and provide opportunities for innovators and would eliminate the 'apples and oranges' comparisons prevalent in traditional investment analysis.

What better way is there to focus on innovative nation building than through policy settings that are inherently innovative?

Notes

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Counterterrorism as an anti-hero's journey—defending democracy needs a more 'frictious' script

Katja Theodorakis

Friction is an inherent part of democracy. In fact, democratic practice is built on it. A strategic response to countering terrorism and extremism needs to reflect engagement with contestations of its core principles rather than prescriptive references to democracy's merits.

This 'big idea' hence advocates for a more problem-driven, iterative approach that takes into account democratic friction as a core element of counterterrorism (CT) practice. An understanding of countering extremism as part of ongoing 'democracy work', rather than as a mere security challenge, may at first glance seem simple. After all, a 'whole-of-society', preventive approach has come to be regarded as essential to effective CT policy during the second decade since 9/11. Nevertheless, its transformative potential when put into practice shouldn't be underestimated.

A tension at the heart of liberalism is that conflicts about values and interests can't always be reconciled—especially not through mere appeals to reason or 'our values' as an uncontested common good, however vaguely defined. Absolute demarcation lines for determining what counts as violence-oriented extremism (when the merely unpalatable 'radical' shifts to the unacceptable 'extremist') can be difficult to draw in an open society, not only from a societal perspective but in some instances also from a legislative or law enforcement one. While the universal, empathetic acknowledgement that such lines exist in absolute, not morally relative, terms is fundamental to a functioning democracy, we can't expect them to remain undisputed. Negotiating the frictions about what constitute the boundaries of the acceptable is an unavoidable part of democratic practice.

When democratic friction isn't addressed, it becomes elevated to the level of an existential, moral fight, with the inherent danger that violent means invariably come to be accepted—not only as a justified solution but ultimately as a necessary one to defend 'our way of life'. After all, isn't this what prompted the initial response to 9/11 and became the moral logic driving the Global War on Terror?

This is why a story that makes democracy the unquestionable hero, no matter what's done in its name, is too easy a script. As opposed to the hero's journey—an attractive, simplified narrative pattern with inspirational prescriptions—CT is more of an anti-hero's journey: it's about a well-intentioned but imperfect, flawed character whose story arc isn't full of omissions to hide the truth that even heroes hurt people.[1]

Contained within this big idea is a recognition that an effective strategic CT response must be sufficiently dynamic to be a match for the complex reality it seeks to counter: it must have clearly defined ends, based on a distinction between the security and societal aspects of its declared mission, but be more iterative in its field of vision and practice.

What's the problem that needs solving?

The plot: Democracy, not just security, is under threat from an illustrious cast of villains.

In March 2021, ASIO Director-General Mike Burgess identified the terrorism and extremism threats we're facing as 'significant and constantly evolving', warning in particular of a nationwide escalation in right-wing extremism. While the official threat level remains at 'Probable', his assessment also referred to a distinction between 'threats to life' and 'threats to our way of life'. Widening the scope from safety to include societal wellbeing is an important marker for comprehending the nature of the threat: terrorism and extremist violence go beyond body counts.[2]

In what ASIO's boss called an 'unprecedented shift', so-called white-power race war[3] has replaced jihad as the main spectre, and militantly anti-pluralistic, ethno-supremacist and anti-Semitic ideas stand out as landmarks in an

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evolving landscape. Although the extremist far-right scene is fragmented globally, ideological narratives are shared widely, and the respective milieus of individual countries are increasingly linked via subcultural 'lifestyle' networks (such as publishing houses, clothing, music and martial arts events).

Figure 1: Fiction to Friction (Joseph Campbell's Hero's Journey—narrative template for epics like Star Wars—needs a tune-up to be fit for reality)

Source: Josh Howard/Unsplash, online.

The 'New Right' and its 'metapolitical' strategy form an important but often underestimated element of the far-right ecosystem. The umbrella term encompasses a spectrum of informally aligned, loose networks of individuals, groups and organisations. This includes authoritarian populist forces, the 'identitarian movement' in Europe and libertarian extremists such as Richard Spencer in the US, which are united by militant anti-diversity, ethno-exclusionist and supremacist views—in the form of white or ethno-supremacy (the latter visibly prominent across Asia), Islamophobia, anti-Semitism and homophobia—aimed at a 'cultural revolution from the right'. This inherently anti-democratic political vision is pursued through a range of (outwardly non-violent) strategies. Its rise in momentum even before the Covid-19 pandemic has contributed to the growing acceptance of far-right, misanthropic ideas in mainstream discourse and their associated rejection of the existing democratic system and rule of law. This way, warning signs might fly under the threat radar, as existing policy framings have primed us to look mainly for obvious 'security' threats measured first by harm to life and limb. Yet many such groups or movements on the far-right spectrum that claim to reject violence promote ideologies and beliefs that lead towards it.

Moreover, the impact of the Covid-19 crisis on ideological extremism has resulted in new and old dynamics coalescing into configurations and iterations of extremism that are different in nature from those we've previously seen. Anti-government discourse, via the vehicle of anti-vax activism, has been building momentum in Australia as in other Western nations. Behind the populist character of the phenomenon are various ideological forces and groups with disparate objectives. They don't necessarily qualify as movements with clear ideologies, in the sense

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of a coherent set of interrelated doctrines, beliefs and values that give rise to a world view. They offer inconsistent answers to societal problems and don't neatly fit onto a linear right-to-left spectrum. But, while their shape might not be clearly discernible or categorisable, many of their sources are, and so is the object of their grievances. They loosely coalesce around a new common enemy: the powers that be (government, its institutions, mainstream media and science).

Manifestations of such ideas and transnational linkages to other groups can be observed at Australian anti-government protests (so-called 'freedom rallies'), and there's evidence of pandemic-induced anti-government sentiment being strategically instrumentalised. This manifests in increasing extremist conspiracy myths and anti-democratic, exclusionary narratives (intolerant of difference of opinion or about what constitutes 'truth') circulating in Telegram groups filled with tens of thousands of 'concerned citizens'. Ideological content is influenced by coded white supremacist and 'sovereign citizen' rhetoric, and racist, anti-Semitic or other misanthropic ideas take clearer shape. Calls to 'unwavering resistance' have also gained momentum in recent months, raising concerns that these mobilising narratives lead to lower thresholds for violence at the centre of society.

The fluidity of ideological boundaries and the proliferation of anti-democracy discourse and anti-government activism constitute a new landmark in the evolving terrorism/extremism landscape. As ASIO's Director-General noted in August 2021, 'They're middle-class, well educated … They look like everyday Australians, and they're not openly showing their true ideology and not openly showing their violent beliefs or their use of violence, which they believe is justified.'[4] Hence, we're facing extremisms that might not match recognised terrorism threat markers, as they defy easy typologies and previous categorisations.

However, the costs in social harms present a more long-term threat to the quality of Australian democracy and our way of life.

Where has the debate led us?

Plot twist: Not all heroes and villains wear distinguishable capes.

Working backwards from the premise that CT is defined by what it opposes, understanding the nature of threats is crucial in developing an effective, strategically minded, forward-looking response. Much effort and resources have been invested towards that goal over the past 20 years, yet having robust CT structures is only one thing. The use and efficacy of existing laws and measures are also contingent on the accuracy of threat perceptions as much as on political will. The Parliamentary Joint Committee on Intelligence and Security inquiry into extremist movements and radicalisation is a much-welcomed effort to update the government's understanding as a basis for informed policy choices.

The key issue is that, conceptually, the CT game has been played in a relatively small space. For the most part of the past two decades, terrorism and extremism were largely seen as the domain of a foreign 'other'; even when originating within Australia, extremist ideological motivations were ascribed to sources not only culturally different from but in direct opposition to Australian identity and values, however abstractly defined.

In response to 9/11, a comprehensive CT architecture was put in place to deal with the threat at hand—jihadism—domestically, as well as through international engagement. Since 2014, Australia's CT response has been officially situated within a framework of 'social cohesion'. The 2015 Counterterrorism Strategy, shaped by the urgency of increased *jihadi* activity in Australia in the context of Islamic State's rise to power, presents a multifaceted security response. Managing movement to and from the conflict zones in the Middle East and Afghanistan forms a key part, including controversial powers to strip citizenship or the use of temporary exclusion orders to 'keep Australians of counter-terrorism interest, who may have fought with terrorists in Syria or Iraq as far away from Australia's shores as possible'.[5]

At the same time, under the title 'Strengthening our resilience', Australia's CT Strategy advocates for a preventive approach, with a declared emphasis on preventing and countering violent extremism (P/CVE). This is premised

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on the recognition that 'acts of violence occur at the end of a process, a combination of frustration, isolation and being introduced to highly charged motives for violence' (ideologies). As Home Affairs Minister Karen Andrews recently remarked, 'our CVE initiatives address terrorist and extremist violence by intervening early with a range of vulnerable communities and at-risk individuals, both before and after they face a court or a prison sentence.'[6]

P/CVE initiatives have matured over time as their stigmatising, divisive potential to create 'communities of suspects' was recognised. For example, in his reflections on the 20th anniversary of 9/11, former head of ASIO Duncan Lewis noted that 'without the support of the Muslim community there would have been more frequent and more serious attacks and resulting loss of life … More work is required to improve our country's social cohesion.'[7] The increasing focus on establishing an evidence basis for measuring the effectiveness of P/CVE is an example of gained ground.

Nevertheless, having community cohesion initiatives sit side by side institutionally with CT efforts remains problematic. It was only following the Christchurch terrorist attack that the experiences of discrimination by Muslim communities and their fear of being the targets of hate crimes or terrorist acts received more public visibility. This way, regardless of the well-meaning and sincere intention behind P/CVE initiatives, when restricted to 'at-risk' individuals from selected subsections of society, their effects can still be divisive because ultimately such an approach is rooted in an exclusionary understanding: a whole-of-society approach is whole merely in name when mainly applied only to a particular segment of citizens.

Overall, Australia has passed close to 100 CT laws, including the Foreign Fighters Act,[8] and enacted temporary exclusion orders, control and preventative detention orders and mandatory metadata retention. Some of those tools have been or could be used to prevent far-right terrorism (there have been two disrupted plots in 2016 and 2020 and one cancelled passport). Australians fighting for far-right militias in the Ukrainian conflict—described by the Soufan Center as an 'emerging epicenter' for white supremacist extremists[9]—have so far not been charged under the Foreign Fighters Act or been subject to temporary exclusion orders. Careful analysis and assessment are always warranted to avoid viewing a diverse spectrum as one monolithic threat, but ultimately the powers lie with the Home Affairs Minister. Hence, it remains to be seen to what extent the recognition of a more multifaceted threat translates into consistent political action across the spectrum.

We can't fall back on the conceptual comfort of a 'single enemy' whose extremism is rooted in a clear difference from our way of life—or perceptions thereof. As problematic and divisive as some of the post-9/11 era's political logic was, the problem sets thrown up or accelerated by the Covid-19 pandemic defy reductionist categorisations even more. Challenges today are more systemic, amorphous and endemic—a much more uncomfortable, politically difficult reality.

If we continue with the same underlying logic and don't adapt the script, we miss the more diffused nature of the anti-democratic forces at work. If we defend democracy with the same script as before, we create false heroes and villains, with even more divisive results. If we define resilience as the ability to withstand extremist ideas through a commitment to Australian democracy and identity, we need to allow for contestability—the ability to also question the meaning and application of national values—particularly when the practice of those values doesn't result in equitable outcomes.

Why is this big idea the solution? How will it contribute to security, prosperity and resilience?

Embracing friction: How an anti-hero can save the day

Along with due enthusiasm for the transformative potential of big ideas, experience tells us that they should also be met with a healthy dose of scepticism, as problem-solving approaches can carry an inherent burden: the danger is that the quest for neat solutions deflects attention away from the more systemic nature of the problem. Accordingly, we have to make sure that big ideas don't lead us to simplify a complex reality, even in a well-intentioned effort to make it more manageable. If allowing for '*the*' solution to be found would mean reducing our vision or frames of reference, we'd end up with the kind of simplistic script that this particular big idea seeks to do away with.

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The American mission to 'degrade and destroy the enemies of freedom and democracy' during the Global War on Terror illustrates this: a fixation on militant Islamist networks after 9/11 conditioned CT thinking into a narrow CT response that neglected the terrorism threat from other ideologies. And the events of 6 January 2021 in Washington DC show why building resilience should focus not only on certain extremist niches or at-risk communities, but also on the wider sociopolitical and cultural environment.

Since an adaptation in our strategic policy responses begins with the mental models that drive them, how policy documents such as a Counterterrorism Strategy are framed is crucial. The value of this big idea is hence the disruption of scripts that are too narrow in vision, along with any underlying myopic typologies. The aim is to open up a space for reconceptualisation of the animating ideas, operating principles and envisioned end states: prevention 'depends on the construction of a causal scheme between future events and actions taken to avoid them'.[10]

Here, it's important to ask whether a strategy articulates a clear distinction between the desired end state and the ways and means to get there. Are resilience and cohesion only nice by-products in the service of security, through the prevention of terrorist acts, as the overarching objective? What if they were parallelly pursued as end states in themselves, too?

Germany's experience is instructive in this regard. The burden of its unique history of radicalisation from within had led Germany to openly recognise, as the first European nation, the need for a democracy 'capable of defending itself against anti-democratic actors who use the democratic process in order to subvert it'.[11]

Yet, in practice, that proved to be a challenge. After years of accusations of being 'blind in the right eye', it took a series of far-right terror incidents and discovered plots over the past few years to prompt the German Government to confront the threat with more immediate action. In 2020, after the Halle and Hanau attacks, the assassination of local politician Walter Lübcke by a neo-Nazi and the exposure of several militant far-right networks within or connected to the police, military and security services, the government implemented an unprecedented action plan to tackle right-wing extremism, terrorism, racism and 'all forms of hostility towards specific groups'.[12] With an allocated budget of more than €1 billion for the period from 2021 to 2024, an 89-point program was developed after extensive consultations with migrant communities and victims of terrorism, (violent) extremism and racial discrimination. Alongside hard security measures and reforms (such as dedicated far-right capabilities/units within the Joint Counterterrorism Centre), of particular note is the German Government's support of initiatives aimed at 'society at large'.[13] The most notable initiative is Live Democracy!: supported by a €150.5 million budget in 2021, it's based on 'strategies to encourage the public to value a diverse and equitable society', building on evaluations from earlier programs. While Germany's historical legacy certainly adds a special urgency, the wider relevance and competencies resulting from developing a systemic-level response shouldn't be dismissed.

Rather than seeing the ability to recognise and withstand the appeal of anti-democratic ideas as a skill for individuals identified as 'vulnerable', or a commitment by certain communities, it takes on a fuller meaning as the onus of change shifts. It means equipping citizens to deal with the fundamental tensions, frictions and frustrations at the heart of democracy in a constructive, non-violent and non-securitised way. As an integral part of democratic practice, resilience then becomes a civic as well as a political responsibility.

That requires ongoing effort, and of course it isn't a panacea. As Anthony Bergin aptly noted in 2018, 'counterterrorism is a complex and dynamic policy area with no quick fixes … ultimately the best approach to countering terrorism is one that protects lives and, one hopes, Australia's way of life.'[14] A rigorous approach to CT as a security practice will always be needed, even as terrorist activity and its immediate relevance in relation to other geostrategic or national security threats peaks and dips. Recognising that dynamism is part of a strategic approach that understands strategy as more than a document that sets out Australia's CT response. If we take 'strategy' to mean 'a constant adaptation to shifting conditions and circumstances in a world where chance, uncertainty, and ambiguity dominate',[15] then being truly strategic about countering terrorism begins with the recognition that it's democracy that will need to be defended.

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What's needed?

In its first term, the new Australian Government should develop a comprehensive *counterterrorism agenda* consisting of two separate elements:

1. A revised CT Strategy that focuses on preventive, tactical and operational measures, with the end goal of security—keeping citizens safe.
2. A separate strategic action plan aimed at the systemic prevention of extremism. Here, the end goal is a resilient democracy, based on the recognition that defending democracy is part of democratic practice and an ongoing task for all of society, not just 'at-risk' communities and individuals.

Although they're interlinked and mutually supportive, these two components should rest on sufficient institutional separation to avoid the securitisation of social cohesion work.

In its first 100 days, the government should:

1. Commission a review of the existing CT Strategy, based on findings from the Parliamentary Joint Committee on Intelligence and Security inquiry, in order to update the strategy to include:
   - a reconsidered approach to P/CVE initiatives, particularly to avoid having them sit institutionally side by side with security initiatives
   - a diversification of target ideologies and funding sources to avoid singling out certain target groups or alienating constituencies
2. Simultaneously invite consultations for a counter-extremism strategy based on broader civic education and awareness of what constitutes anti-democratic discourse that violates basic egalitarian principles and human rights; mechanisms of dehumanisation; and clear definitions of what constitutes hate speech and hate crimes.

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'You will never tear us apart': building resilience while celebrating diversity in Australian communities

Dr Teagan Westendorf and Dr John Coyne

Australia's next federal government needs to recast its social cohesion policies to create social, economic and political conditions that ensure difference doesn't divide. Central to this must be measures that increase trust in the government, its institutions and our democratic system.

In his speech launching the Labor Party's 1972 election campaign, Gough Whitlam mainstreamed the term 'social cohesion' for the first time when he argued:

> We can double and treble social benefits, but we can never make up through cash payments for what we take away in mental and physical wellbeing and social cohesion through the break-down of community life and community identity.

This statement, among others at the time, set the foundations for an almost five-decade-long policy fixation on creating a homogeneous Australia with diverse characteristics. Initially, the government of the day developed policies focused on recognising differences (eventually termed 'multiculturalism') and tying society together. The policy focus was on identifying differences and promoting individual Australians' right to express their cultural identities. It was also recognition of Australia's economic reliance on migration and the contribution that social justice makes to communities cooperating to not only survive but thrive. Arguably, there was also a not-so-subtle message in multiculturalism that it was okay to be different as long as you became part of Australia's broader community.

The 11 September 2001 attacks on the US that gave rise to the two-decade 'War on Terror' were also the catalyst for the gradual securitisation of social cohesion in Western liberal democracies. In Australia, this is evident in the vast scope and number of laws passed to combat the threat of terrorism.[1] The fracture between different social groups that terrorism weaponises is policed by increased intelligence and policing powers, and necessarily so.

There's an argument that social cohesion isn't under increased threat, despite polling suggesting that it has declined since 9/11.[2] Admittedly, it isn't possible to prove that the questions asked in such polls comprehensively measure changes in social cohesion, which is difficult to align with a clear metric.

However, social cohesion is defensibly linked to mitigating security threats. ASIO has recorded a steady increase in terror threats, and research and practice in understanding and countering radicalisation by violent extremists (particularly in response to Islamic extremist recruitment) strongly suggest that individuals experiencing social isolation, ostracism and even racism (in addition to other known and unknown factors) are at greater risk of radicalisation.[3] However, it's notable that this is about a reduced safety net or bigger cracks to fall through, not a direct causal relationship. In a nutshell, radicalisation is a deeply social and emotional process. And there's evidence that a sense of belonging to community, be that a country such as Australia or a violent extremist group, can be a key factor in how resilient or susceptible subjects are to radicalisation, making social cohesion the key to community resilience.

Increasingly, social-cohesion policy in Australia was focused on homogeneity and tying society together. That effort wasn't for economic or social justice reasons but to ensure domestic and national security. There can be no doubt that social cohesion ensures domestic security, but that doesn't mean that policy measures focused on social cohesion should be classified as security related.

The creation of the Home Affairs portfolio in December 2017 would later give rise to a policy connection between social cohesion and countering violent extremism. None of those changes was lost on Muslim Australian individuals and communities. Barrages of media criticism of those communities and questions about whether they had

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denounced terrorism strongly enough probably made some people feel that social cohesion and multiculturalism were synonyms for them being assimilated and homogenised away from their heritage rather than being embraced as Australians with diverse heritage but shared democratic values. In some respects, this policy probably compounded the feelings of isolation experienced by some Australians.

Over the past decade, the federal government has sought to define the fundamental 'Australian' values that it feels underpin 'our success as a liberal democracy and inclusive multicultural society.'[4] However, many of those arriving in Australia have different cultural identities and haven't viewed those value statements as on-ramps to cohesion but as exclusionary statements.

Source: Richard Ha, flickr, online.

This set of factors will present a vexing policy challenge for Australia's next federal government. It has, however, been made even more difficult by declining public trust in government and its institutions and the social impacts of Covid-19 (specifically, starker socio-economic divides based on how resilient different communities were able to weather the health and job security effects of the pandemic).

There's plenty of empirical evidence to suggest that public trust in governments globally has been in a decline since the end of the Cold War,[5] and Australia hasn't been immune to that trend. As highlighted by the 2019 Independent Review of the Australian Public Service:

> Public trust in the benefits of globalisation, openness and traditional institutions, including the Australian Public Service and governments, is at concerning, low levels.[6]

Recent polling suggests that trust in Australian federal and state governments has increased among the mainstream population during the pandemic, while a smaller cohort remains distrustful.[7] However, there has been a consistent downward trend in this metric overall since the Scanlon Foundation poll began in 2007, which is indicative of a general, long-term decrease in trust in government.[8]

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2021's anti-lockdown and climate-change protests indicate a collection of small groups that are mostly mobilised by this perceived trust deficit. And, while overall high compliance with public health mandates and vaccination take-up suggest that a functional level of trust has been maintained by the majority (and that public health messaging has been effective despite significant challenges and the politicisation of health policies), consistent polling from multiple sources suggests that there's a declining trust in many communities that everyday Australians can bring about change through engagement with the political and government system.

The narratives of the relatively small cohorts of anti-vax and anti-lockdown protesters, despite mainly consisting of misinformation and disinformation with a sprinkling of far-right ideology in places, resonate with the time-honoured Australian cry for a 'fair go' and what's imagined as a more equitable future in terms of democratic representation and socio-economic opportunity. The discrimination advocated by some of these groups of course corrupts their idea of 'equity', and the misinformation corrupts their logics, but the significant implication for government is that a growing segment of Australia has lost trust in government processes and institutions, and equality (even a scrambled, corrupted version of it) is a key value that Australians want upheld. The 6 January 2021 riots at the US Capitol showed how great a security threat that can develop into.

Unfortunately, Covid-19-generated unemployment has disproportionately affected young and often already underemployed Australians. The pandemic will also have a lasting impact on young Australians' economic confidence. In *After Covid-19: Australia and the world rebuild*, ASPI argued that these impacts 'have exacerbated pre-existing and underlying economic insecurities and intergenerational wealth disparities that concern many young people'. Declining levels of trust in government will aggravate the situation.

There's clear evidence to suggest that perceptions of having low chances of economic improvement and social mobility further compromise the 'safety net' resilience to radicalisation of already at-risk individuals.[9] Increased levels of radicalisation during and after recessions in Western liberal democracies aren't unprecedented. The UK's 1980s recession coincided with an increase in radicalisation, for example.

This isn't to say that experiencing economic stress and disadvantage causes radicalisation or that terrorism is a reaction to poverty, because neither is true. Rather, socio-economic disadvantage can contribute to the sense of being isolated and without agency in one's community, and unrepresented by democratic government, both for individuals and for groups of people. This could increase the vulnerability of communities to radicalisation because violent extremist ideologies are generally defined by a vision for a 'better' future defined by greater justice, equity or prosperity, while mobilisation is informed by hostility to one or more 'out groups' that are somehow impeding progress to that alternative future.

This highlights reduced trust in government and socio-economic inequality as being critical vulnerabilities that create and exacerbate social fractures and position groups as in direct competition with each other for security and prosperity.

Where has the debate led us?

To date, Australia's debate on social cohesion has led to a siloed and securitised approach. Its policy levers have become a security mechanism that has at times exacerbated disparities and polarisation. For example, the removal of citizenship from dual citizens and permanent residents who are found guilty of serious criminal offences has made Australia's communities safer but has also created rifts in contemporary Australian society about citizenship by birth versus citizenship by naturalisation.

For some in our communities, Australian values are a means for exclusion, not a rallying cry for a mutually supportive community that values the contributions of free individuals. The association of those values with security and efforts to counter violent extremism make them policy levers of exclusion, not inclusion. While many Australians see them as necessary for community safety and national identity, their damaging and decisive impacts are far less evident.

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The application of extraordinary police powers across Australia's federation, along with increasingly restrictive health measures, has further reduced the general Australian confidence in the ability of citizens to pursue common goals through democratic means. In the past, dissatisfaction with democratic norms has been the realm of *Salafi* jihadists and right-wing extremists. Now, it has achieved greater resonance with mainstream audiences through anti-lockdown, anti-vaccination and climate-change activism. Citizens feeling unrepresented by democratic governance institutions and processes is a critical vulnerability to those institutions, as seen in the 6 January 2021 riots at the US Capitol.

Today, Australia faces several state and non-state actors interested in promoting disunity and difference in our communities. The securitisation of social cohesion is a policy response to those forces and threats, but it seems that we may have played into the hands of those who might do our communities harm.

For many years, Australians and their governments have struggled to deal with the *Salafi* jihadist threat to social cohesion. While that threat hasn't diminished, ASIO's report that a growing number of annual terror threats comes from violent right-wing extremists[10] suggests that established fault lines between diverse Australian communities could become more keenly felt and possibly acted on. There have always been foreign countries interested in exerting influence on Australian society; however, over recent years, that has intensified. The promotion of disunity and difference along racial, political and individual lines is a strong asymmetric capability. The declining global security environment and the centrality of Australia in the Indo-Pacific make Australia a target for asymmetric efforts to promote disunity.

In sum, Australia faces substantial challenges to social cohesion from multiple threat vectors at a time when economic, social and geopolitical pressures require us to work together more closely. At the same time, our current social cohesion policy and intent are not adequate to address the challenge.

Where to next, and why?

Australian rock group INXS's 1988 hit song 'Never tear us apart' is a metaphor for social cohesion. The lyrics tell the story of two individuals from different worlds who meet and then form an instant and lifelong rapport. And even when one happens to cause the other pain, 'they'll make wine from the tears.' The message is clear: no external force or unintentional misstep will tear them apart.

Social cohesion has been consistently found to be a key driver of long-term national prosperity and competitiveness. Understandably, cohesive societies are politically stable, so their members can focus more on economic growth and business development. Social cohesion makes competitiveness sustainable. It results from policies that reduce inequality and division by promoting the sharing of prosperity.

A socially cohesive society works towards the wellbeing of all its members, fights exclusion and marginalisation, creates a sense of belonging, promotes trust, and offers its members the opportunity for upward mobility. In doing so, it creates economic, social and security benefits for individuals and the nation. In its absence, fault lines within our communities could result in domestic security impacts and national security vulnerabilities.

Social cohesion itself is built in years, not overnight, but is nevertheless brittle. Australian Government policy has treated social cohesion as an end state rather than as an aspirational goal. It requires constant nurturing and adaptation in response to changes in the social and economic environment, technology, and national and international political systems.

Changing the aperture of Australia's social cohesion policies and strategies will generate new opportunities to accelerate economic growth and reduce the conditions for social division. It will enhance public trust in the government and its institutions. It will also reduce our vulnerability to a number of domestic and foreign threats during a period of unprecedented strategic uncertainty.

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What's needed?

Acknowledging that social cohesion is a long-term adaptive aspirational activity, the next government must focus on setting stronger policy foundations for social cohesion, which should be understood as connection and belonging enabled by greater equality and equitable representation.

While a critical initial effort must be made to change the policy focus from security to inclusion, it must also involve machinery-of-government changes that unify existing policy measures. There must also be consideration given to developing sensitive environmental change indicators and performance measures that focus on providing the information needed by policymakers to create an adaptive social cohesion framework.

In the first 100 days

In the first 100 days after the government is elected, its focus should be on policies that emphasise its commitment to social cohesion and trust in government. That policy focus could be achieved by elevating social cohesion out of the Home Affairs Department into the Department of the Prime Minister and Cabinet. More security-focused responsibilities for countering violent extremism ought to remain within the Home Affairs portfolio.

The government should appoint an independent social cohesion commissioner responsible for coordinating federal policy measures to ensure a clear social-cohesion focus. The position should be established as a Senior Executive Service Band 3 equivalent. The government should provide the commissioner with a modest staff, including policy professionals with experience across national security, economic and social policy.

In the first 100 days, the commissioner should undertake a comprehensive analysis on behalf of the government to identify all current federal, state and territory policy initiatives and programs that contribute to social cohesion. The key aim is to identify current siloes of activity and identify gaps between stated policy and policy initiatives.

In parallel, the government should begin work to examine alternative approaches to social cohesion. The central aim of that work is to identify more inclusionary principles for social cohesion and drivers for trust in government. Those principles, underpinned by an understanding of trust drivers, should then be used to establish a broader social cohesion agenda.

The first term of government

In its first or next term, the government should develop and deploy a national strategy for social cohesion and government trust. The central aim of the strategy should be to draw together the various existing cohesion programs and policies. In doing so, government policy should prioritise avoiding those kinds of measures viewed as tokenistic engagement with cultural difference. Policy measures that fail to contribute to fighting exclusion and marginalisation, create a sense of belonging, promote trust and offer people the opportunity for upward mobility should be terminated.[11]

Then, further attention should be given to repositioning the government's social cohesion policies to identify and mitigate the conditions that contribute to exclusion and marginalisation. One key element of that process is to move on from 'forcing' social cohesion onto Australians and excluding those who don't accept it. Instead, efforts need to seek out differences and give voice to their proponents, and that needs to include initiatives that promote the democratic process.

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Notes

1 George Williams, 'A decade of Australian anti-terror laws', *Melbourne University Law Review*, 2011, online; Rebecca Ananian-Welsh, George Williams, 'The new terrorists: the normalisation and spread of anti-terror laws in Australia', *Melbourne University Law Review*, January 2014, online.

2 Andrew Markus, *Mapping social cohesion: the Scanlon Foundation surveys*, Scanlon Foundation Research Institute, 2020, online.

3 Nafees Hamid, Clara Pretus, 'The neuroscience of terrorism: how we convinced a group of radicals to let us scan their brains', *The Conversation*, 12 June 2019, online.

4 'Australian values', *Australian Values*, Australian Government, no date, online.

5 'Trust in government: 1958–2015', *Beyond distrust: how Americans view their government*, Pew Research Center, 23 November 2015, online.

6 Independent Review of the Australian Public Service, *Our public service, our future*, Department of the Prime Minister and Cabinet, Australian Government, 2019, online.

7 Luke Henriques-Gomes, 'Australians' trust in governments surges to "extraordinary" high amid Covid', *The Guardian*, 17 December 2020, online.

8 Markus, *Mapping social cohesion: the Scanlon Foundation surveys*.

9 Kartika Bhatia, Hafez Ghanem, *How do education and unemployment affect support for violent extremism?*, Global Economy & Development working paper 102, Brookings Institution, March 2017, online.

10 ASIO Director-General, *Director-General's Annual Threat Assessment*, Australian Security Intelligence Organisation, 17 March 2021, online.

11 Organisation for Economic Co-operation and Development, *Perspectives on global development 2012: social cohesion in a shifting world*, OECD, 2012, online.

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Australia looking outward

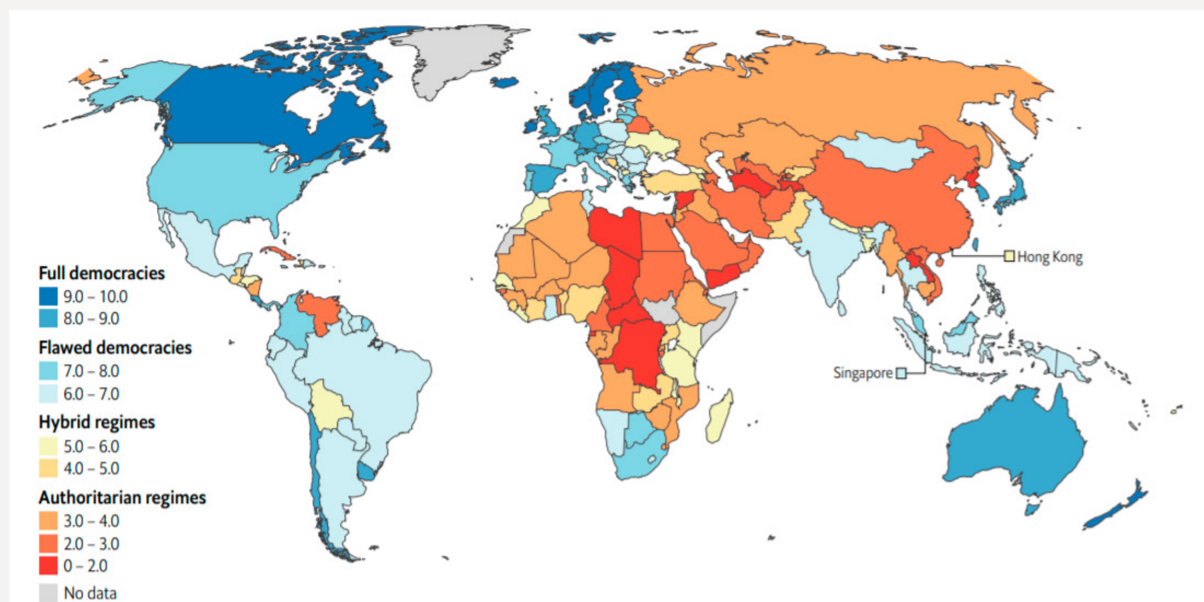
How we risk losing the region and what we should do about it

Fergus Hanson

As the Chinese Communist Party (CCP) doubles down on its wolf-warrior diplomacy, the big players with a stake in the region are increasingly articulating their clear intent to push back and preserve the rules-based order. The elevation of the Quad and its positive and increasingly substantive agenda is a clear example. But, while major powers are clearly going to matter in securing order, as in the last period of great-power competition, the real contest will occur outside those big powers, in the smaller states. And this is where we risk losing the battle before we realise it has started.

The Economist Intelligence Unit's Democracies Index has a map that tells a powerful story for Australia and its partners (Figure 1). From south of Japan and stretching across to India, there's an arc of fragile democracies that hug the world's most powerful authoritarian state.

Figure 1: Democracy Index 2020, by regime type



Source: Democracy Index 2020: In sickness and in health?, The Economist Intelligence Unit Limited, 2021, online.

There are certainly major democracies in the region. At one end of the arc are democratic Japan, Korea and Taiwan. At the other is the behemoth of India. And, in the middle, Australia. But as the map so starkly portrays, the region is hardly a sea of entrenched democracies.

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The effects of a critical mass of democratic states are clear to see in other parts of the world, such as in North and South America and Europe, where it's the remaining authoritarian regimes that are under sustained pressure to reform. Even though democratic backsliding does occur in places, it's mostly very vigorously called out. Those regions are calibrated to revert to a democratic centre of gravity. In our region, with a giant authoritarian state at the centre and mostly fragile democracies on its periphery, the centrifugal forces risk being reversed now that the last wave of global democratisation has well and truly passed.

If those fragile democracies are flipped and become authoritarian, suddenly the democratic world faces a very different proposition in the region. If the democratic powers instead faced a region of pliant CCP client states, support for the continuance of the rules-based order would be structurally eroded. The arc of democracies is the foundation upon which US, Australian, AUKUS and Quad strategies for the region rest. Without them, the remaining democracies would face an infinitely more difficult operating environment and basis for engagement.

Already the outlook for democracy in the region doesn't look good. Myanmar, which until recently was a flourishing emerging democracy, is now on the brink of civil war, its economic growth is forecast to drop by 18% and its poverty rates to double.[1] Thailand's democracy has been in turmoil for more than a decade. Cambodia has doubled down on authoritarianism, and even the giant democracy, India, has embraced tactics such as internet shutdowns to silence dissent. And Taiwan, which in the Economist Intelligence Unit's view has become one of the world's few 'full democracies' (despite immense pressure from the CCP), faces increasingly worrying threats from Beijing.

Responsibility for the fragility of this arc of democracies or the issues that have roiled them can't just be laid at the feet of the CCP (although it's certainly engaging actively in places such as Myanmar and Taiwan), but there's also little doubt that the fragility of these states will be exploited to advance CCP interests.

On the other side of the world, Nadège Rolland has examined the dynamics of CCP engagement in Africa.
As she finds:

> … Beijing is evidently striving to encourage African countries to adopt its governance practices in an effort to make them better client states. Robust democratic societies are seen as a major challenge to China's ability to reach this goal.[2]

For the CCP, the same logic holds, only more strongly, closer to home.

But this isn't a Domino Theory redux. The arc of democracies won't be flipped into pliant clients through troops crossing international borders. Instead, they'll be broken down and weakened through a wide spectrum of hybrid threats. Ground zero of this effort will be distorting the information environments of those states to weaken already fragile democratic supports.

For the established democracies, preserving and strengthening this democratic arc is the bedrock of their strategy for the region, but doing something practical about the threats they face is difficult.

The first big challenge is overcoming the natural disposition of all states to omphaloskepsis when it comes to hybrid threats. Unsurprisingly, with election interference, the co-option of domestic community groups, coercive diplomacy and the silencing of domestic media voices by foreign states, the obvious tendency is to focus on threats to your own nation rather than threats to those in the region.

Second, even if we can overcome the disposition to navel-gazing, responding to the threats faced by others is awkward. Who are we to be helping another state identify covert efforts to distort its information environment or question its media ownership or app laws?

Third, many of the threats are very hard for threatened states to challenge because of the tactics used by the CCP. The first step to counter hybrid threats is to identify them, and that takes effort and very often transparent disclosure to the public, so that a reasoned debate can occur on the counter-measures required in response. As Australia has seen, that can result in billion-dollar coercive trade measures and blistering diplomatic broadsides.

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For many fragile states in the region that are smaller, economically more fragile and with fewer options, doing this alone is untenable.

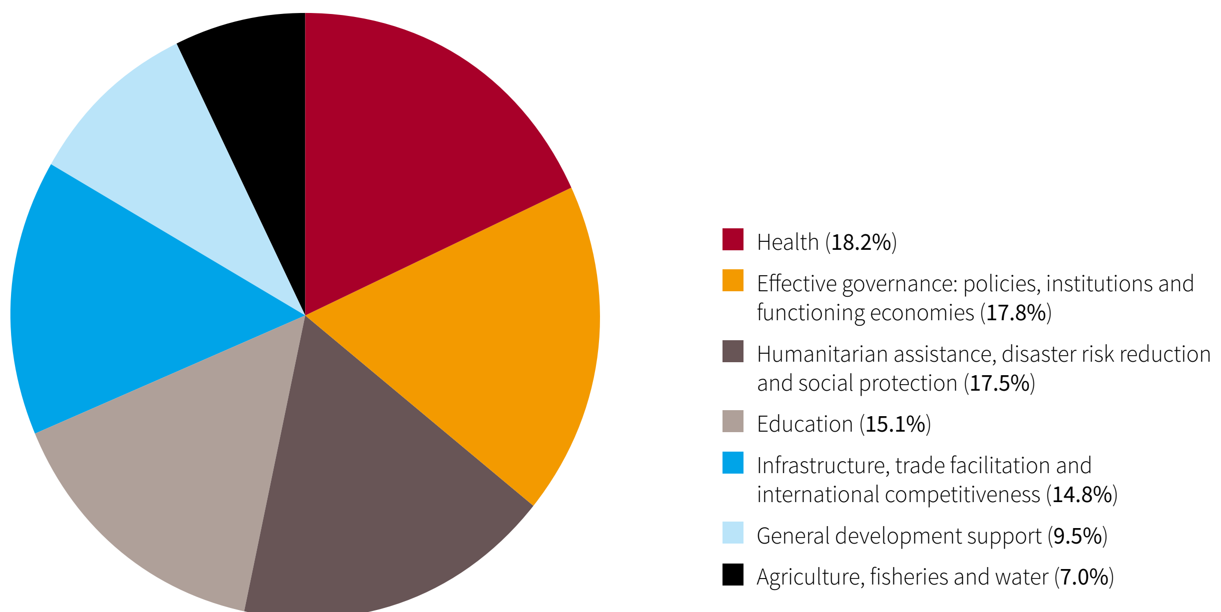
Some of the obvious responses to foreign meddling in information ecosystems can also be damaging to democracy. When foreign actors exacerbate existing social cleavages through information operations, one obvious reaction is for the state to intervene in the information ecosystem. But unless that's done very carefully, it's highly problematic for democracy. In a fragile democracy, with the wrong leader, it could easily present too tempting an opportunity to weaken rather than strengthen a core democratic pillar.

So, what can Australia do about this?

First, there needs to be a bureaucratic reckoning with the slide in democracy in the region (including in the Pacific, where democracy looks more fragile than one would hope). Because preserving and strengthening the region's democratic states is so foundational to our Indo-Pacific strategy, the bureaucracy needs to be tasked with developing a cabinet-level strategy for achieving that end. The strategy should be developed in collaboration with key like-minded partners in the region, including Japan and the US, and diplomatic effort should be made to encourage their buy-in to the strategy. This is consistent with the recent Quad Leaders' Summit communique, which noted, 'We are committed to building democratic resilience in the Indo-Pacific and beyond.'[3]

Second, Australia needs to pivot its resources of international power towards achieving this goal. The aid program should have the majority of its effort directed towards democratic support and consolidation in the region (Figure 2). A full-court press approach should be applied, mobilising exchanges and efforts across government to support and build democratic resilience, including in policing, civil service, electoral affairs, home affairs and incentives for civil society to deepen ties.

Figure 2: Australian official development assistance by investment priorities, 2019–20



Source: *Australia's Official Development Assistance Statistical Summary, 2019–20*, Department of Foreign Affairs and Trade, 2021, online.

Third, a proactive approach should be pursued to help the region deal with tough, multistakeholder challenges. In the area of information operations, for example, Australia and other large democratic states could play a convening role by bringing the big tech platforms and states together to collaboratively identify strategies to counter state-backed information operations. Done collectively, that could lessen the potential for weak leaders to exploit this opportunity to weaken free speech. This would build off initiatives such as ASPI's Sydney Dialogue.

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Fourth, Australia should establish a hybrid threat centre in Australia funded by a consortium of anchor states and tech companies. Similar to the European counterpart centre in Helsinki, the centre could identify and report on hybrid threats facing the region, giving victim states enough distance from the centre to escape retaliation from those conducting the malicious activity.

Fifth, Australia should play a leading, behind-the-scenes, diplomatic role in bringing other states in to support this initiative of democratic consolidation.

Sixth, if DFAT can demonstrate a disposition for reform, consideration should be given to a large redistribution of funding to position Australia for a contest that won't be kinetic and will require diplomatic expertise and scale to win.

Australia's diplomatic deficit was forensically documented over a decade ago,[4] and only marginal changes have occurred since. A lingering problem has been an inability to identify clear objectives that DFAT can pursue and achieve, thereby justifying its funding to government. The failure to do this has seen national security agencies increasingly ascendant in the Canberra policy ecosystem. As dismal as DFAT has been in justifying its own existence, the dynamics of competition in the region demand a well-resourced and high-functioning Australian foreign service. If DFAT can't demonstrate the ability to evolve, a high-level review should look at a complete overhaul of the organisation to make it fit for purpose.

Finally, it's essential that Australia maintain a narrative focus on the underlying reason why democracies are inherently more attractive to people everywhere: the rights and liberties they provide to individuals.

While sometimes dismissed as mere bromides, core international and human rights documents such as the Universal Declaration of Human Rights and the UN Charter are powerful means through which Australia and other democracies can create an attractive and positive agenda for continued democratisation.

Notes

1 'Myanmar economy expected to contract by 18 percent in FY2021: report', media release, World Bank, 23 July 2021, online.

2 Nadège Rolland, *A new Great Game? Situating Africa in China's strategic thinking*, National Bureau of Asian Research, 8 June 2021, online.

3 Scott Morrison, 'Quad Leaders' Summit communique', media statement, 24 September 2021, online.

4 Jillian Broadbent, William Maley, Brad Orgill, Peter Shergold, Ric Smith, Allan Gyngell, *Australia's diplomatic deficit: reinvesting in our instruments of international policy*, Lowy Institute, March 2009, online.

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The urgent need for a regional climate change risk assessment

Dr Robert Glasser and Anastasia Kapetas

Summary

Recent analysis suggests that Australia and its regional neighbours have greatly underestimated the scale of climate change impacts and how rapidly they'll begin emerging.[1] Southeast Asia, in particular, is a global hotspot for climate hazards, and its population of 660 million people (including 275 million in Indonesia—on our northern border) is both highly exposed and vulnerable.

Climate impacts in those countries will overwhelm governments' coping capacity, increase food insecurity, displace large segments of populations, bolster extremist and criminal non-state actors, erode stability and contribute to conflict. Those regional disruptions may ultimately do more to undermine our national wellbeing than the significant domestic impacts of climate change.

Without a thorough understanding of the profound regional consequences of climate change, it's impossible for Australia to devise sensible policy responses to mitigate the risks and bolster the country for the many unavoidable impacts. Filling this policy vacuum must become a top priority for the next Australian Government.

Within the government's first 100 days in office, it should commence the development of a comprehensive regional climate risk assessment, engaging the key government departments that have extensive regional programs and activities, including Defence, DFAT and Home Affairs, drawing upon scientific, technical and analytical input from the intelligence community, the Bureau of Meteorology, the CSIRO, and engaging policy expertise from outside of government. The need to undertake climate risk assessments has been a consistent recommendation from climate experts globally, including in the last Australian Senate inquiry into climate and security. Among Joseph Biden's first acts on assuming the US presidency was to order climate and security risk assessments, the unclassified versions of which were released last October.

Australia has never conducted a comprehensive regional climate risk assessment incorporating geopolitical impacts and exploring how climate risks, including risks to the global energy transformation, might interact with current social, political, economic and technological risks to form new threats to our national interests and national security.

We live in a time of acute overlapping systemic risks. That needs to be front of mind. State fragility and declining governance will be increasingly important regional features in a warming climate.

Background

The Indo-Pacific is acutely vulnerable to the physical impacts of climate change, and the science suggests that those impacts will now begin accelerating rapidly.

Sea-level rise, for example, is accelerating more rapidly in maritime Southeast Asia than anywhere else in the world. Extreme rainfall events will increase in severity and frequency across parts of Australia, Southeast Asia and continental Asia, while simultaneously other subregions will experience more severe and persistent droughts. The severity of tropical cyclones will increase, and their tracks are likely to shift poleward.

Some of the implications of those impacts are obvious (such as the existential threat to low-lying small island states), but their more complex interaction with critical components of human security, such as food systems, is also concerning. The impact of gradual warming and climate-change-induced disasters on agricultural outputs, for example, is a significant risk for Indonesia and much of Southeast Asia.

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Source: Adam Cohn, flickr, online.

The occurrence of those impacts, in effect simultaneously, will have major cascading consequences for regional countries, undermining the coping capacity of many governments. Australia and key allies will increasingly be called upon to respond to catastrophic regional events while simultaneously facing major disasters, such as bushfires and flooding, at home.

Climate impacts in Indonesia are of particular concern. Most Indonesians live in coastal communities. Tens of millions of them will increasingly be directly affected by extreme flooding. By 2050, extreme floods will be annual events in many parts of the world, but Indonesia will reach that point far sooner. Its sea level is rising about four times faster than the global average, driven by climate change and other factors, such as groundwater extraction.

The security of Indonesia's food supply is another important focus. Indonesian agriculture is heavily centred on the production of rice, and rice production in Indonesia is very largely rain-fed. Rising temperatures and drier seasons can therefore have severe implications for production. So can related factors, such as the expansion of the reach of crop pests and shifts in predators that keep crop pests in check. Scientists have determined that by 2040, at 2°C of warming, Southeast Asia's per capita crop production may decline by one-third. Indonesians' main protein source, the nation's fisheries, is also likely to decline further. Fish species are already moving out of the region to escape warming waters, and the region's coral reefs, the 'nursery' for roughly 10% of the world's fish supply, are degrading rapidly.

History would suggest that food insecurity could have major political effects in Indonesia. For example, prohibitively high food prices were a major rallying cry of student protesters who helped drive the final nail into President Sukarno's authority as president in 1966. A sharp spike in food prices in 1998—a year of severe drought—also fed into the anti-government sentiment that generated the mass protests that helped catalyse the downfall of Sukarno's successor, Suharto.

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In the past, countries under strain have often been able to rely on support from abroad in various forms. In the case of food shortages, countries might import food. In the case of severe natural disasters, the international community might offer aid, technical assistance, doctors and so on. But those assumptions will no longer be reliable. In the case of food supplies, food shocks may well be regional or global, pricing a country such as Indonesia out of emergency imports in a highly financialised global market. In the case of natural disasters, in the face of repeated extreme floods or severe fires, the appetite and capacity of neighbours to help one another is likely to be chronically strained.

The way that those strains will evolve politically is highly uncertain. It nonetheless bears noting that our largest near-neighbour has a history of struggles with various separatist and extremist groups. It also occupies a crucial piece of maritime strategic geography, which various major powers will attempt to influence for advantage.

Regional climate impacts will have other major strategic geopolitical consequences, including the disruption of critical supply chains and trade relationships, and there will be winners and losers in the global energy transformation from fossil fuels to renewables.

Extreme climate events will trigger migration and create regional refugee crises. In 2020, more than 30 million people were displaced by climate-related disasters, the vast majority in the Indo-Pacific region (and particularly in East Asia and the Pacific).[2] There are clear links between climate disasters and migration.[3] Such a disaster was a factor in the Syrian civil war, which resulted in the huge influx of Syrian refugees to Europe.[4] More recently, it was the primary factor in a wave of migration from Central America to the US.[5]

The migration of tens of millions of people, exacerbated by climate change, will become one of the megatrends of the 21st century.[6] Maritime Southeast Asia, where hundreds of millions of people reside in low-lying island states, is among the most exposed regions in the world to the hazards that climate change is amplifying. The combination of slow-onset and sudden-onset disasters will displace millions of people in our immediate region, with significant consequences for our immigration, refugee and border protection policies and operations.

Numerous studies have identified a link between climate change and terrorism, although the connections are generally highly context-specific and often complex.[7] There's robust evidence suggesting that natural disasters are strongly associated with outbreaks of terrorism.[8] In the Middle East and North Africa, climate-change impacts facilitated the rise of ISIS and Al-Nusra in Syria,[9] Boko Haram in Nigeria, and the Taliban in Afghanistan.[10] Terrorism escalated significantly in both Sri Lanka and Thailand following the 2004 Indian Ocean tsunami.[11] The warming climate will cause unprecedented economic and social disruption in our region, particularly in countries, such as Indonesia and the Philippines, with significant socio-economic vulnerabilities. Those two countries account for 90% of the people living below the poverty line in Southeast Asia. Much employment is in informal sectors, with no official social safety nets to support large populations displaced by disasters. Inequality is increasing, and ethnic and religious tensions have previously led to major outbreaks of violence, separatist movements and terrorism. It's likely that climate disruptions will reverse the recent regional decline in terrorist incidents and attacks.[12]

Terrorist networks have established close connections with transnational criminal elements, including the use of organised crime smuggling operations to transfer terrorists and their weapons worldwide, and cooperation between organised crime networks and terrorist groups for funding terrorism through illegal activities, such as drug trafficking. Many of those organised crime groups have links to Australia, whether through the drugs trade or money laundering. Up to 70% of Australia's serious and organised crime threats originate offshore or have strong offshore links.[13] Climate impacts that disrupt government services and weaken the rule of law will create opportunities for the expansion of transnational crime.[14] The climate disruptions will occur simultaneously across the region and globally, which may enable those groups to strengthen their resilience by expanding their cross-border relations and organisational structures.[15]

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Regional climate risk assessment: terms of reference and participants

A regional climate risk assessment would consider these and other potential disruptions. The reference point for the risk assessment should be Australia's national interests, extending beyond our narrow security and economic interests. Because national interests generally cut across the mandates of individual government departments, the risk assessment should be conducted as a fully integrated process. The government should avoid the more typical approach of asking departments to conduct their own risk assessments based upon some agreed terms of reference and then consolidating the results.

To maximise integration across bureaucracies, the risk assessment should be led by the Department of the Prime Minister and Cabinet. It should draw upon a wide range of policy and technical expertise, including from outside of government.

The principal government departments and agencies involved should be:

- the Department of Foreign Affairs and Trade
- the Department of Defence
- the Treasury
- the Department of Home Affairs
- the Office of National Intelligence
- the Bureau of Meteorology.

Key individual participants, drawn from both within and outside of government, should include:

- climate scientists
- natural hazard experts
- risk experts
- area experts (for example, Indonesia, China, and the Pacific)
- regional and global systems (for example, food, trade, energy) experts
- issue/policy experts (for example, terrorism, transnational crime, food security, refugees, national security).

Broad participation of experts should be required in order to identify the local, regional and systemic risks arising from interactions between changes in the physical climate and complex human systems.

The assessment would proceed in five stages.

1. **Establish governance arrangements and identify the national interests/objectives as the reference points for the risk assessment (completed within the government's first 30 days in office).**

In the first stage, a governance structure should be established to oversee the design and implementation of the risk assessment. It should include a *cabinet-level taskforce* supported by an *expert group* comprising representatives from government departments and agencies and policy experts from outside of government. The expert group would consult across departments to develop recommendations on national objectives (such as securing our borders, tackling transnational organised crime and countering terrorism and violent extremism) to form the basis of the risk assessment and submit those to the cabinet-level taskforce for approval. It would also refine the terms of reference of the risk assessment process for approval and generally serve as the working-level secretariat for the cabinet-level taskforce and for the overall process. The membership of the expert group would include a permanent group with a standing authority, but with other membership expanding and contracting in accordance with the operational needs of the project.

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2. **Select climate warming scenarios (to be completed within the government's first 50 days in office).**

The second stage in the process would be to agree on the underlying scientific and technical assumptions for the risk assessment, including fundamentally the greenhouse gas emissions pathways. This would draw heavily on the scientific consensus elaborated in the UN IPCC reports and more recent scientific assessments of climate change. The pathways would include not only the most likely warming scenario, but also less likely rapid-warming scenarios. Government and scientific expertise from outside of government would be included in the expert group during this and subsequent phases of the work.

3. **Identify the hazards, including interacting hazards, associated with the emissions pathway (to be completed within the government's first 6 months in office).**

The third stage would entail elaborating how the changing climate is likely to influence hazards and how they interact with each other. This would include slow-onset hazards (such as sea-level rise, extreme temperatures and drought), sudden-onset hazards (such as extreme flooding, bushfires and severe cyclones) and the combined effects of the two (for example, fires that start under extreme heat conditions, with fuel loads primed by cycles of drought and flood). Those interacting hazards will be amplified by non-climate-related hazards (such as earthquake and volcanic risk) and occur at scales ranging from the local to the global.

4. **Elaborate how the hazards will interact with the region's complex human systems (to be completed within the government's first 12 months in office).**

The fourth and most complex stage would examine how the hazards are likely to unfold in the region. This will entail significant complexity because the assessment will need to consider not only the direct impacts of climate-driven hazards on complex human systems, but also the responses of complex human systems, such as the global economy, food markets and the system of international security. Engaging expert participants in scenario-based processes and simulations will be an important way of addressing the complexity and exploring how climate impacts will affect the national interests and objectives identified at the outset of the process. The scenarios will also enable closer examination of risks in particular places, such as in Indonesia or the Pacific, and explore the role of great-power engagement in the region by both allies and competitors. A high-level summary of the assessment thus far should be produced at the six-month point in this process to support broader government planning. The summary should be continually updated and refined throughout the remainder of the assessment.

5. **Develop policy recommendations flowing from the risk assessment and a communication strategy to disseminate the results (to be completed within the government's first 12 months in office).**

In the final stage of the process, the expert group will develop policy recommendations based upon the risk assessment for consideration by the cabinet-level taskforce and for approval by the government, as appropriate. A consolidated assessment of regional climate-change risks would be used to inform whole-of-government planning, while an unclassified version would be developed to engage the Australian public. After the risk assessment is completed, the expert group should be retained to provide a review mechanism and oversee the implementation of the findings across government.

The regional climate risk assessment should also be shared in some form with regional neighbours as a visible demonstration of Australia's role as an indispensable regional partner in managing climate risk. For similar reasons, the assessment outcomes should be shared with Australia's closest allies, particularly the US. The assessment's focus on how climate change will interact with complex human systems will be innovative and critical for our understanding of the security implications of climate change in the Indo-Pacific region. It will demonstrate that Australia can add real value to US alliance work on climate and security.

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Conclusion

Given our region's exceptional exposure and vulnerability to climate change, it's a glaring omission, and a significant strategic risk, that Australia hasn't formally and comprehensively examined how climate change will affect the nation's regional interests and objectives. Conducting a regional climate-change risk assessment must become an urgent priority of the next government following the election.

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From building defensive resilience to creating prosperity and security: a successful Australia in a divided and dangerous world

Michael Shoebridge

2022 and the rest of the decade can be a time of prosperity and security for Australia. That's partly because, over the past five years, we've become a more resilient nation that's harder to coerce and more aware of the dynamics and interests of those we interact with—a more aggressive China and a more aligned set of powerful democracies being the outliers. But it's also because we've demonstrated to ourselves and others that we can manage crises—pandemics, national bushfires and economic coercion—as well as any society on the planet.

The result is that we have willing partners with similar interests and values that want to face the challenges of the next one, three, five and 20 years by working with Australians—Australian governments at the federal and state and territory levels, Australian businesses and Australian researchers.

That's a welcome development, given the more dangerous, more divided world that we're living in now.

Other chapters in this report deal with the need for nation building that's cross-sectoral and the priority we must put on deepening the trade cooperation available to us for free trade agreement (FTA) partners now that we've ended our simple-minded single big bet on an ever-growing China market.

I want to spend my time here setting out the 'middleware' between those two big ideas, in a way that connects strategic, technological and economic interests.

First, as David Uren notes, while policymakers still have a philosophical attachment to free trade in a relatively pure form, our behaviour as a nation over the past 10 years has been to embrace preferential trade with partners that we assess we can trust.

It turns out that with one of those partners—the government in Beijing—we were wrong, and the text of the China–Australia FTA means little in the face of what Beijing sees as an imperative need to demonstrate what happens when nations act in their own interest in ways that displease it.

The exception proves the rule, though, and the set of other major FTAs Australia entered into over the past decade (Japan, the US, South Korea and Indonesia) aligns well with our strategic interests and our values as a democracy, as do our likely new FTAs with the UK and India.

A fracturing globalised world—that's not all bad news.

It's time to embrace the fact that 'Globalisation 1.0'—built around the unipolar moment and a world converging on liberal internationalism—is dead, not resting. In the divided and dangerous world of the 2020s, we need managed trade with partners—governments, companies and research entities—we can trust and with which we can increase our own and our joint resilience to the shocks we expect and those we cannot now predict.

The decoupling of economies and supply chains is real, notably in the digital world and in all the key inputs that make it work: critical minerals, semiconductors, rare earths, software and, increasingly, the big tech actors and platforms.[1] What's started in the world of tech is more likely to spread further than it is to contract or end any time soon.

This fracturing of globalisation isn't just about grievance and increased state-based competition. It's a response to its inherent flaws, exposed by Covid's shattering of brittle supply chains and by the ruthless intervention of state power into markets and longstanding business relationships (whether the more egregious, aggressive type we've seen from Beijing using trade as a weapon, or the 'America first' and 'EU first' behaviours seen with vaccine supply early in the pandemic).

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Source: iStockphoto/Tryaging.

From trade with everyone to priority partners—it's about trust

At the core, those partners are the two fast-moving 'minilateral' groupings made up of the Quad nations and the new AUKUS technology partnership (India, the US, Japan and the UK).[2] And not far from the core come a set of key Indo-Pacific partners (Singapore and Indonesia) and a set of more Indo-Pacific-focused EU members (Germany, the Netherlands, Norway and France), along with the key tech and military concept partner, Israel.

This list of partners and the ordering will cause offence and dissent, but it's hard to argue that any one of them isn't a partnership with benefits to each of us, common underpinning values and an increasingly common assessment of the nature of the systemic challenge of China under Xi Jinping.

So, rather than simply encouraging Australian businesses to go out and diversify trade in any way possible, we need to prioritise two-way trade and industry integration with this set of jurisdictions that we can trust, and that are security partners, not just economic partners. (France makes our list and, over time, the French are likely to realise Australia continues to make their list.)

Trust here means taking advantage of the preferential trade deals we have with those partners. It also means moving to mirror current Foreign Investment Review Board rules that scrutinise investment from sources with known higher national security risk with rules that actively encourage investments from sources where Australia has common national security interests—and the 'core group' of the Quad plus AUKUS is a great place to a start. Those partners must do the same for each other if we're to build joint resilience and integration.

We can also ruthlessly prioritise tools such as our Global Business and Talent Attraction Taskforce,[3] targeting individuals and firms in our core partners who can play a greater role in our economic and security future, and be open to an easier flow of talent between us.

This approach of trusted jurisdictions being the place to start for Australia to build prosperity and security comes from the painful lessons of the past five years.

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Australia's three paths: customer, victim or contributor–partner

This period has crystallised a lesson that Australian policymakers must learn once and apply: Australia has many strengths but can't succeed in the world alone. As in even the largest economy, dreams of meeting all our own needs through a simple notion of sovereignty are false.

In an increasingly digitised world with growing, rolling pressures and crises from the natural and human worlds, Australia faces three main paths: to be a customer for things we can't provide for ourselves, to be a victim when those we need to source things from use our dependency against us, or to be a partner in creating and providing what we need.

We've already faced this choice with 5G—the digital backbone of our new economy. In that case, building Chinese 5G technologies and suppliers into our digital backbone would have set us on the path of victimhood, able to be coerced and pressured in ways that dead lobsters and diverted wine just can't. We didn't choose to develop a separate indigenous 5G ecosystem, but instead have partnered with others that are creating their own national networks.

We're doing the same with critical minerals, rare earths and batteries. And AUKUS says that we're choosing this path of 'partner—contributor', not customer or victim, for a set of key technologies that must deliver the increased military deterrent power our region needs: artificial intelligence, cybertechnology, quantum technology and undersea technologies (capped by nuclear submarines).

We're either at the start of supply chains or a credible contributing partner in them in areas ranging from food, agritech, research (including into biotechnology and quantum technologies), energy, resources and research to areas of the digital tech world (fintech, business to business software). Playing to our advantages will make strategic and economic sense not just to us but to our partners and help make our cooperation real, not just a set of political policy notions. This is something Australia's business leaders have recently also been saying more and more clearly.[4]

Australia—who is the 'we'?

That brings us to who the 'we' is here. It would be nice to think that this is a natural 'Team Australia' direction and effort. It isn't, but it can and must become that. With the pandemic, Australia began a new era of federation, with a focused national cabinet made up of our nation's executive leadership across the federal, state and territory levels cooperating and creating a rapid and coherent, if diversified, national approach to beating the pandemic.[5] That new era ended, though, as soon as the pressure of imminent crisis waned. Even as the obvious need for urgent national cooperation on vaccine rollout and reopening was apparent, we failed to rediscover the Team Australia mindset of the early Covid months. That led to an achingly slow initial vaccine rollout and to diverging Covid responses across our country.

The default mindset we must avoid here, because it will undermine our success as a contributor–partner with jurisdictions we can trust, is a return to unitary policymaking and action, whether at federal or state and territory level. It's absolutely true that the dynamic of increasing federal power we have experienced since 1901 has been reversed by a rediscovery of state and territory constitutional and institutional power (as an example, they don't just have responsibility for their health systems; they run them). This is far from a problem, though; it's actually a strength.

State and territory governments see the more dangerous, divided world we're living in and want prosperity and security for their citizens, just as the federal government and parliament do. And they're putting their policies and their money where their mouths are. They're just not seeing the framework that prioritises particular partner jurisdictions that can only come from the federal horsepower of foreign and national security constitutional responsibility and institutional power.

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Net zero and climate change maybe a controversial example, but it proves the point: South Australia, Victoria and NSW are filling the policy and investment space not taken by the federal level.[6]

A less controversial area of state and territory policy and investment momentum shows enormous potential in building Team Australia: investment in the future sources of prosperity and security from the digital and advanced manufacturing sectors. Examples here are the Queensland Government's incentives for high-technology aerospace industry that are helping create systems such as Boeing's Loyal Wingman uncrewed aerial vehicle;[7] the Victorian Government's Venture Growth Fund, which is investing in high-growth start-ups in areas including cybersecurity, agtech, clean energy, transport technology and fintech;[8] and the NSW Government's strategic planning and investment around the new Aerotropolis Sydney (the city's second airport).[9] These ventures link with state incentives and investments for shipbuilding and other defence-centred activity.

The states and territories are being met by an energised and active business community—shown by the forward-looking policy agenda set out by the Business Council of Australia in recent speeches by its head, Jennifer Westacott.[10] They're also in almost unwitting alignment with federal policy and investment—notably the government's Modern Manufacturing Strategy[11] and the Global Business and Talent Attraction Taskforce.

The national cabinet as the latent alignment engine

The national cabinet has an urgent role in lifting Team Australia beyond this unwitting alignment. There's certainly room to increase national cohesion around our new policy framework of resilience to Chinese power, rather than relying on the legislative power of the Australia's Foreign Relations (State and Territory Arrangements) Amendment (Education) Rules 2021 to retrospectively align state-level thinking.[12]

But the national cabinet is fundamentally important as the tool to align federal, state and territory policy and investment directions to deepen 'contributor–partner' connections with our Quad, AUKUS and broader grouping of trusted jurisdictions. It's a recognition that National Cabinet has a long term policy and implementation role, and is not just a construct for emergent crises. This will help prioritise and align activity across our diverse federated system and give confidence to domestic and international investors in policy stability and the continued low sovereign risk Australia brings. That won't happen by osmosis or through a return to Commonwealth–state management through the Council of Australian Governments.

Priorities, my boy, priorities—don't try to boil the ocean

Lastly, call me crazy, but a real sense of priority for Team Australia comes from not trying to boil the ocean. That's why returning to a 'core group' approach that at least focuses on the four nations that have joined with Australia in the combination of the Quad and AUKUS is such a useful organising principle in strategy, technology and economics.

We can and should work here with others (notably, regional partners such as South Korea, Singapore and Indonesia), but after prioritising resources, people and time for the core group, and dependent on the extent to which those other partners show that they're prioritising the relationship with us.

Show me the money

And because the divided and dangerous world we're in means our prosperity and security are deeply intertwined, the federal government's national security spend matters and must be available for this new agenda. Again, AUKUS helps with some clarity—the federal defence budget has to be affected by AUKUS in cash-flow terms that can drive these deeper trusted partnerships.[13]

As ASPI has assessed elsewhere, there's up to $20 billion in newly available funding in the government's planned defence spend from now to 2034 that flows from the cancellation of the Attack-class submarine program.[14] And all that money should logically be redirected to the replacement technology agenda set out so crisply in AUKUS—around AI, cyber, undersea tech and quantum tech.[15] Those areas of technological advantage are key for national

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security agencies, but have the attractive attribute of being deeply 'dual use' in powering Australia and our partners' future prosperity. In the parallel Business Council of Australia thinking, this 'dual use' nature is about economic 'adjacencies' (as exist between space technologies and missile technologies, for example).

This cash and set of priority focus areas brought to the national cabinet's discussions on future prosperity and security will energise progress and alignment, just as my colleagues Gill Savage and John Coyne have urged through the broader notion of deliberate nation building.

Australians can live prosperous and secure lives in the divided and dangerous world of the 2020s, but we won't do so by pretending that the global economy is coming back in any form free-traders will recognise, by discounting the power of aligned interests and values, by pursuing simple sovereignty in a still connected world, or by pretending that coercive state power won't be used to make us the victims of trade and technological dependencies that we don't control.

We'll do so by working as contributor–partners with a core, and growing, group of trusted partners and by making a reality of Team Australia from our diverse and energised federation. The good news is that we have the beginnings of this new path.

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A national space strategy

Dr Malcolm Davis

Main big idea: *a national space strategy to coordinate and integrate a rapidly growing commercial space sector with Defence requirements for space capability, and which best prepares Australia to quickly identify and exploit looming disruptive innovation in the space domain*

In the coming decade, the commercialisation of space (known as 'Space 2.0') is likely to see the establishment of a space-based economy and manufacturing capability.[1] This will be facilitated by space resources utilisation on the Moon (Australia recently announced that it will send a rover to the lunar surface to prospect for resources as part of Australia's 'Moon to Mars' support for NASA's Project Artemis[2]). At the same time, reusable rocket technologies and new types of expendable launch vehicles are resulting in falling costs to access space, making more ambitious commercial activities in space possible.[3] In Australia, several companies are developing both launch vehicles and launch sites, from which the next generation of Australian space capabilities can be delivered into orbit. Lower costs, reusability and rapid production will enable faster and more regular access to space, which in turn suggests the paradigm shift in humanity's ability to use space in the future that embodies Space 3.0.

Figure 1: Astronaut's photo of Hurricane Earl, 2010

Source: NASA, online.

Australia should be ready to exploit 'leap ahead' opportunities that emerge from this paradigm shift to enable it to do more in orbit, whether it's for defence and national security or for broader national prosperity. While current Australian space efforts are focused on growing our commercial space sector, that focus should evolve into being ready to harness the space industrialisation and resource utilisation inherent in Space 3.0. By taking this next step, we would elevate our profile as a global space actor.

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However, achieving this *must begin with a national space strategy that builds on existing policy documents,* such as the Australian Space Agency's 2019 *Civil Space Strategy.*[4]

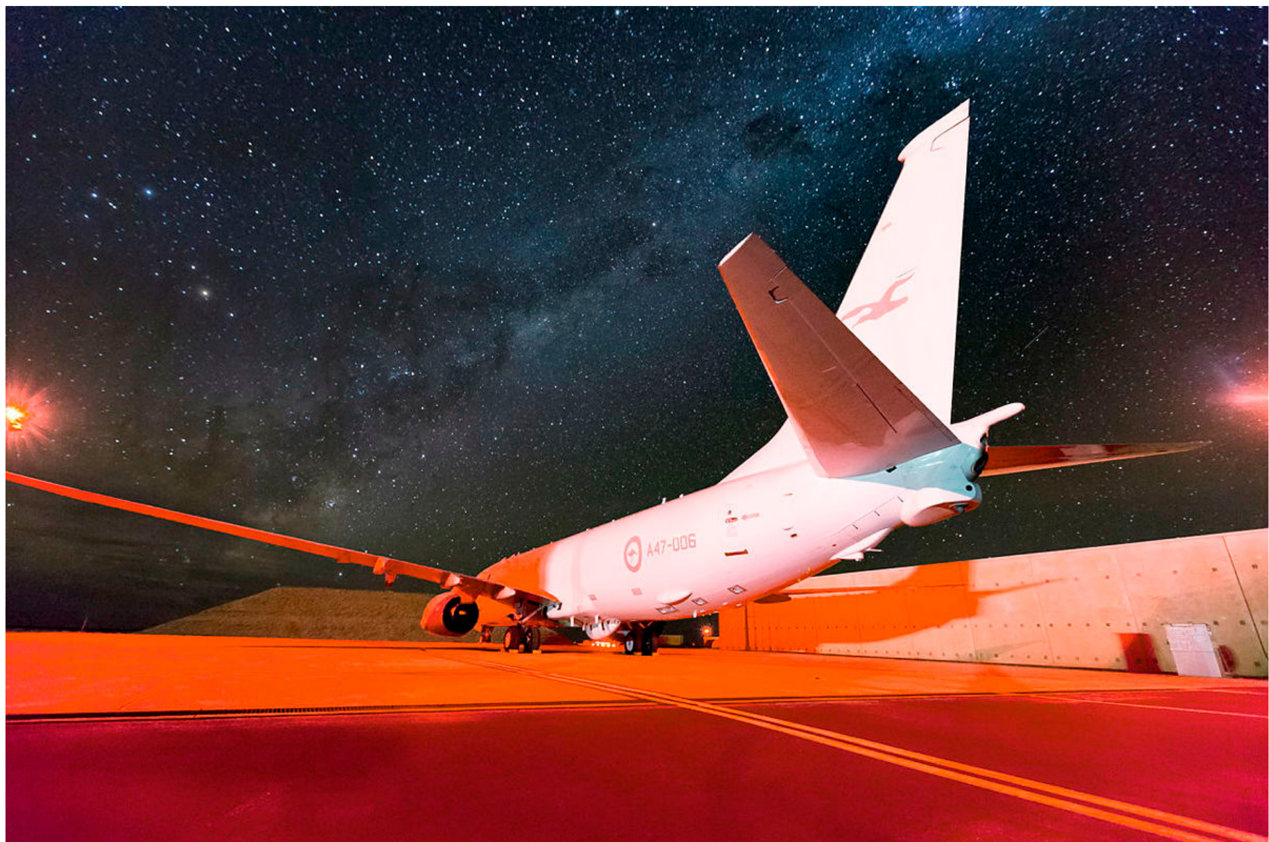
Australia's defence and national security also depend heavily on space capabilities, and that dependency will only grow over coming years. Therefore, any national space strategy should fully incorporate key defence missions in space and should be forward looking. The impact of the transition from Space 2.0 to Space 3.0, as noted above, will open new paths for the ADF to access and use space capabilities in a more rapid and responsive manner for defence purposes, as I explain below.

A national space strategy must respond to growing astropolitical competition, both in the low Earth orbit (LEO) to geosynchronous orbit (GEO) region near Earth and out to the cislunar region around the Moon. That competition will occur between major powers—notably, China, the US and Russia.[5] Rather than focusing purely on the near-Earth region, any Australian space strategy must be outward looking and consider how Australia will play a defence and security role alongside key allies across the expanse of space, including on and around the Moon.

Two immediate recommendations are as follows:

- In preparing a national space strategy, the Prime Minister should take the lead on what will be a whole-of-government effort to deliver a strategy within 12 months of beginning a new term in office.
- ASPI proposes to establish a team of leading thinkers associated with space policy and space security to undertake a series of high-level discussions on the theme of 'Towards a national space strategy' over the course of 2022. Our aim will be to establish the outlines of what that policy should look like, to ensure key issues are discussed and understood at a public level, and to ensure that appropriate leaders in the field have an opportunity to be consulted on these matters.

Figure 2: The spectacular Milky Way dominates the night sky as a No. 11 Squadron P-8A Poseidon sits on the hardstand at RAAF Base Learmonth



Source: Department of Defence, online.

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Defence's role in space—an overview

The 2020 Defence Strategic Update (DSU) and its accompanying Force Structure Plan (FSP) highlighted a growing role for the ADF in space and recognised space as an operational domain that is contested, congested and competitive.[6] The growth of 'counterspace' capabilities emerging in China and Russia drives the 'contested' element of space, and the DSU and FSP elevated the prominence of 'space control' as a key requirement for Defence to pursue as part of its Space Domain Review.[7]

Defence is now pursuing a range of projects for space capabilities, including space-based 'geoint' (intelligence, surveillance and reconnaissance) with DEF-799 Phase 2, advanced satellite communications with JP-9102B, space domain awareness with JP-9360, and positioning, navigation and timing through the Defence Science and Technology STaRshots program.[8] It has also recently announced the first step in investigating a ground-based space electronic warfare capability for space control via JP-9358.[9]

The challenge facing Defence in pursuing these and future space capability projects is to adopt a faster and more agile paradigm that would facilitate the ability of the ADF to ride a wave of transformation as the commercial transition from Space 2.0 to Space 3.0 gathers pace in the coming decade.

Defence's current Space Domain Review will be finalised in 2022 and will include the establishment of a Space Division within RAAF HQ.[10] This builds on policy that was most clearly stated in the FSP, which accompanied the DSU, and is a positive step forward. It can help Defence better coordinate future space policy and capability and move away from the disparate assortment of space projects across the Defence organisation that previously had been the approach of government. But the Space Domain Review will be a classified document and won't be released to the public, so Australia's vibrant commercial space sector won't have access to it.

Towards a national space strategy

The Space Domain Review needs to *lead to a published unclassified national space strategy, which should be completed within 12 months of the next government taking office*. The strategy must provide a whole-of-government approach to integrating a booming national space sector with government needs for defence and national security via space capabilities and also guide the development of broader national space infrastructure that contributes towards Australian prosperity and security.

Such a strategy also needs to encompass international partnerships, strengthen links with key allies through AUKUS and the Quad, and seek to elevate Australia's role as a space power in the Indo-Pacific region. Australia's future in space can be a key driver for expanding both our geopolitical—and astropolitical—influence, allowing us to leverage space technologies to grow national prosperity and expand the ADF's role in space beyond what's currently envisaged in the DSU and FSP. The strategy, which is the 'means', must have as its 'end' Australia becoming a comprehensive 'space power', to be achieved through the 'ways' of rapid and low-cost sovereign space access. It's that path that leads to Australia being best placed to exploit Space 3.0 at the national level.

An Australian space strategy must be a national document, rather than just a Defence document, but defence policy on space must be a key component, rather than an afterthought. Defence's approach to space must be agile, forward looking and responsive to rapid transformation occurring in the commercial sector, rather than locked into slow, traditional decade- or multidecade-long acquisition cycles, if the strategy is to be successful. We need to change our mindset on how capability is acquired and shift our policy paradigm to ensure we develop an ability to rapidly identify and exploit disruptive innovation in orbit.

What might be in a national space strategy?

Some key elements that could shape a future Australian space strategy are as follows.

First, one objective for the strategy must be an ability to launch Australian satellites on Australian launch vehicles from Australian launch sites in a regular and responsive manner driven by market requirements. This isn't a call for space autarky. There will be capabilities that are beyond Australia's technological and industrial grasp (for example,

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very large and complex satellites), and we'll still need to acquire such high-end space capabilities from allies. However, Australia's space sector should be given *every opportunity to contribute space capabilities* that can be *built locally and launched from Australia*. This is appropriate for both defence- and non-defence-related tasks.

Second, the Australian Government should prioritise the rapid acquisition of space capabilities. Unlike other operational domains, such as sea or land, space is a domain of rapid change, as new approaches to digital development and additive manufacturing accelerate the production of satellite technologies and launch vehicles. As Space 2.0 leads to Space 3.0, new approaches to rapid capability acquisition will become more apparent, particularly through fourth industrial revolution (4IR) production technologies, and even 'in-space manufacturing' through in-situ resource utilisation.[11] Australia's space sector needs to be encouraged to pursue the transition from Space 2.0 to 3.0 and 'leap ahead' with new technologies, rather than simply follow in their wake.

These elements of speed and rapid capability acquisition are vital for defence and national security reasons. The impact of digital development to accelerate innovation in space capability, and reusable rockets that result in falling costs to access Earth orbit, will see an overall acceleration in the growth and change of the space sector in this decade. Policy must keep pace with that acceleration or become increasingly outdated. Current Australian capability acquisition for space still resonates with a 'Space 1.0' mindset that has produced slow development of capability that delivers satellites only after years or longer. For example, JP-9102B, for the next generation of satellite communications, won't deliver a single satellite until the late 2020s.[12] Embracing fast capability acquisition means that our ability to keep pace with a rapid innovation cycle is improved, and that in turn drives the growth of new Australian start-up companies that embrace a more innovative approach to business.

Third, government policy needs to keep pace with the growth and evolution of the defence space policies of key allies, especially the US. This should occur through an AUKUS approach but could also incorporate the Quad members and other partners with which Australia is already collaborating in space, such as South Korea.[13] The future of Australia–US collaboration is vital. The formation of the US Space Force in 2018 has opened an opportunity for debate and discussion over the nature of 'space power' in the same way that the establishment of an independent US Air Force in 1947 (and indeed the RAAF in 1921) drove thinking on the nature of air power. The development of Australian space strategy must contribute towards driving a deeper discussion on space power development through collaboration with the US and other Five Eyes partners, as space power thought will inform future capability development, organisational evolution, doctrine and force posture. This also needs to be *integrated with the commercial space sector and key defence think tanks, such as ASPI, that can inform conceptual, doctrinal and strategic principles*. That in turn can shape both ADF and, more broadly, Australian space power in coming decades.

Fourth, the strategy must inform how space integrates with Defence activities in other operational domains—air, sea, land and cyberspace—from the strategic down to the tactical level. Once again, although the focus of this aspect is Defence, the strategy must recognise that the commercial sector plays a vital role in providing sovereign space capability, and the strategy must wherever possible prioritise local space companies to provide defence space capabilities that can ensure ADF units can easily plug and play with a full spectrum of sovereign and allied space capabilities.

Fifth, although the near-Earth region between LEO and GEO will always be important, there already are growing opportunities at the cislunar region. Australia's decision to support NASA's Artemis project to return humans to the Moon in this decade, in preparation for sending astronauts to Mars in the 2030s, is an important and bold step for the Australian Space Agency.[14] A national space strategy should reinforce this development by emphasising that Australia's space interests aren't confined only to the near-Earth region but extend to cislunar space, the lunar surface and beyond. This would expand commercial opportunities for Australian space companies to bid for lucrative lunar logistics and mining opportunities that will accompany a human return to the Moon. It also means Defence can also play a role in supporting US Space Force activities in cislunar space, as those activities emerge later in the decade.[15]

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The impact of a space strategy

By developing a national space strategy, several achievements can be realised.

A national space strategy would clarify and expand on goals and processes laid out on the 2019 *Civil Space Strategy* document released by the Australian Space Agency and provide clear unclassified guidance to the broader community on Defence's approach to space, beyond what was laid out in the DSU and FSP and the classified Space Domain Review. Certainly, those documents rightly elevate the role of space for Defence. However, the DSU and FSP lack detail on how key space capabilities and missions would be realised, and when. A national space strategy would fill that gap and provide clear policy guidance for commercial space companies seeking to support Defence missions.

A national space strategy would also more clearly explain Australia's approach to space, both for defence and for national civil and commercial purposes, to Australia's key allies and partners and allow easier collaboration on shaping future roles and building new approaches to joint and coalition activities for Defence in space. The strategy should emphasise opportunities for collaboration through AUKUS and via the Quad. In that way, it would form a basis upon which future collaboration in space could emerge in areas ranging from defence with key partners in the Five Eyes through to space science and the joint exploration of space, as well as the development of new commercial space capabilities. A key argument to be made in the strategy is how best to maximise sovereign space capability, including through sovereign satellite manufacture and sovereign space launch.

The national space strategy should clearly explain how best Australia can leverage the transition from Space 2.0 to Space 3.0 and how Australia could respond to future commercial activity in space, including space-based manufacturing in orbit, space resource utilisation, on-orbit servicing and space-debris mitigation. The growth of satellite megaconstellations, comprising tens of thousands of satellites, will be a key trend in the 2020s, so Australia should consider how we can use them to support the internet of things, satellite broadband and pervasive Earth observation in a manner that grows national prosperity and security.

A national space strategy would clarify Australia's role in space to the broader community and public, to the media and to higher education. It would need to incorporate guidance that could inform higher education and drive the growth of STEM disciplines in secondary and tertiary education to establish the next generation of space leaders.

The way forward …

In the first 100 days of a new Australian Government, the *Prime Minister should lead the development of a national space strategy* through establishing a process that allows engagement with key parties interested in drafting a national space strategy, to survey opinions on the scope of the document, the ultimate objectives (ends) of the strategy, and how government could apply and grow resources (ways) to ensure that the strategy (the means) is successful.

In the first year, *ASPI, with the support of the Prime Minister, would establish a dialogue on the theme of 'Towards a national space strategy'*. Our aim would be to establish the outlines of a strategy that would deliver a national space policy and engage with experts chosen from across government, the private sector, the think-tank community and academia to write a draft strategy document, for submission for review by cabinet, with the aim being the release of a final document at the mid-point of the term of government.

At the end of the first year, the government should also *commission an implementation group that will oversee the application of the strategy* and liaise with key stakeholders, including Defence, the Australian Space Agency and the commercial space sector. Once again, *ASPI, with the support of government, would be a key participant in this implementation group and fully engage with its future activities*.

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Free trade partners: where the bloody hell are you?

David Uren

Australia's trade relations have been a one-horse race for the past decade, and that horse is China. It should be a priority for the government to introduce some competition by working with our broader network of free trade and security partners.

While ministers have spoken about the desirability of diversifying Australia's trade, it needs to become a much higher priority and resources need to be applied to achieve the objective, both promoting exports and selling the opportunities of the Australian market to suppliers.

Australia's exports to China have been rising by an average of 9.5% over the past 10 years, boosting our export income by $95 billion a year. Our exports to every other country in the world have risen at a dismal 2.1% a year, barely keeping pace with inflation, contributing total additional income of $52 billion (Table 2).

Table 2: Australia's two-way trade of goods and services with free trade agreement partners

	2019	Average growth 2010–2019
	A$ million	(%)
China	251,322	10.1
Japan	86,703	3.0
United States	80,978	5.2
Republic of Korea	41,292	3.5
Singapore	33,248	4.8
New Zealand	31,097	4.0
Malaysia	23,951	4.7
Thailand	23,077	1.5
Indonesia	17,690	3.2
Chile	1,498	-0.9
Peru	576	4.1

The value of exports to China has risen by a cumulative 150% over the decade, against a paltry increase of just 23% for exports to everywhere else.

It's a similar story on the import side. Over a decade, China's sales to Australia have risen by 110%, while our purchases from the rest of the world have grown by only 14%. Trade with China and the rest of the world has been depressed by Covid-19 in the latest year, but the disparity is huge over any period.

Yet the past decade has brought a huge expansion in Australia's network of bilateral and regional preferential trade agreements. In addition to the China–Australia Free Trade Agreement, which entered force in December 2015, Australia has concluded deals with Japan (January 2015), South Korea (December 2014), Malaysia (January 2013), Indonesia (July 2020) and Peru (February 2020).

Australia was a prime mover behind the final 2018 agreement of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership following the Trump administration's 2017 decision to withdraw from the original agreement, which the US had been instrumental in drafting. Australia also joined the pan-Asian Regional

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Comprehensive Economic Partnership, which was signed last year and links Japan, Korea and China with the ASEAN nations as well as Australia and New Zealand.

Those deals came on top of earlier agreements struck with New Zealand, Thailand, the US, Singapore and Chile, as well as a separate agreement with the ASEAN group of nations.

Combined, Australia has preferential trade agreements covering 55% of our non-Chinese trade, so why has the trade they cover been so lacklustre compared with the rocketing commerce with China?

The issue has come into focus as China used its dominant share of Australia's export trade to try to force change in Australian Government policy. China's discriminatory barriers to Australian trade have targeted coal, copper, cotton, timber, meat and lobsters, while anti-dumping duties have wiped out Australia's markets for wine and barley in China.

The value of exports to China, excluding iron ore, fell by 36% or $24 billion in 2020–21. Australian producers were able to find alternative markets for most of their goods, although wine growers who had invested in building brands in China were left with surplus stocks. Chinese tourism and education in Australia have been halted by pandemic border closures, but could face barriers when they reopen.

There's also a danger that coercion could be applied to China's sales to Australia. It hasn't happened yet, but there have been threats in the state-owned nationalist Chinese *Global Times* daily that steel exports to Australia were being choked as part of the punishment for Australia's apparent sins.[1] Whether implemented or not, the threat underlines the vulnerability of essential supplies.

These matters have been weighing on the government, which commissioned a Productivity Commission study into the vulnerability of both imports and exports to the disruption of supply lines. The 2021–22 budget included funding for a new Office of Supply Chain Resilience to be established within the Department of the Prime Minister and Cabinet to monitor the security of supply chains and to coordinate whole-of-government responses to any concerns.

The Productivity Commission study concluded that Australia's trade profile did not represent a significant risk.[2] On the import side, it found that there were few imported goods with supply concentrated in a single country that were critical to essential industries such as health, food, transport, water, communications, energy and finance.

For exports, it found that Australia's markets weren't excessively concentrated, showing that the share of exports going to our top 10 trading partners (79%) is only slightly above the global average of 71%.

However, on the import side, China is the dominant supplier of many goods that are critical to industries such as construction, retail and manufacturing. Those sectors aren't counted in the Productivity Commission's list of essential industries but are of vital importance to the health of the economy.

My June 2021 ASPI study found that China sends Australia 100 different goods with a value greater than $100 million a year and that it accounts for more than half of Australia's import market share in two-thirds of them.[3] Any disruption to supplies would leave importers struggling to find replacements.

On the export side, it isn't so much the share of the top 10 export markets measured by the Productivity Commission that reflects a concentration of risk, but our largest single export market.

An analysis by the Australia–China Relations Institute shows that the 41% of Australian exports going to China in 2020 was high relative to the largest single market share of most peer economies, but not exceptionally so.[4] For countries such as the UK, France, the Netherlands, South Korea and Taiwan, their largest trading partner accounted for 25%–30% of exports. Canada, with 73% of sales going to the US, was the outlier.

What's unique for Australia is that the government of our largest market is ordering punitive trade action in an effort to force changes in Australian Government policy.

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Therefore, our network of preferential trade agreement partners is a good place to look for diversification. The trade deals differ in detail, but in general offer reductions in tariffs, the removal of non-tariff barriers for both goods and services, and more liberal conditions for foreign investment and business visas.

Preferential trade deals have been controversial in Australia, partly because of concerns that the additional bilateral trade that they encourage will be offset by trade being diverted away from other partners.

However, Australia now has agreements with such a large share of its trade partners that this becomes less of a concern.

Source: Thomas Hawk, flickr, online.

The simple removal of tariffs in bilateral and regional agreements isn't a sufficient incentive to drive large volumes of new business, because tariffs are now relatively low. The easing of quota restrictions on Australian exports such as beef or dairy produce can be important for those industries, but the immediate gains across the board are modest.

The main benefit of the agreements is that they establish a government-to-government framework that gives confidence to businesses that they can trust their transactions with counterparties in the other country and that their investments are safe.

The experience of the China–Australia Free Trade Agreement is instructive. There were some clear benefits to Australian exporters from Chinese tariff cuts, but there were few gains for China, as Australian tariffs were already low.

However, when Xi Jinping came to Australia to seal the deal in 2014, he was accompanied by a large Chinese business entourage that followed him on his side-trip to Tasmania. That was reciprocated when then Prime Minister Malcolm Turnbull visited China in 2017 with a 1,000-strong business delegation. Businesses on both sides could see that bilateral commerce had the imprimatur of their governments, and trade and investment followed.

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That was then. The task before the Australian Government is to engender similar enthusiasm among Australian businesses for trade with partners such as South Korea, Indonesia, Japan and Thailand or the new trade and security partner, the UK, to be followed, Australia hopes, by India.

Collectively, exports to Australia's main non-Chinese free trade agreement (FTA) partners averaged 4.1% annual growth, while imports averaged 3.6% growth, between 2010 and 2019. I've chosen those years to avoid the influence of both the global financial crisis and the Covid-19 pandemic.

Sales to China, by contrast, have risen at an extraordinary annual average of 11.2%, while imports from there rose by a rapid 8.2% over that nine-year period.

Exports to non-Chinese FTA partners are pushed higher by the performance of Singapore, as annual increases averaging 9% more than doubled the size of that market over nine years. However, most of that increase was the result of the use of Singapore as a marketing hub by the resources companies for sales ultimately intended for China. The increase was dominated by sales of iron ore and 'confidential items', which are mainly semi-processed nickel and aluminium products, destined for Chinese mills.

The US has been our most important non-Chinese free trade partner. It's Australia's second largest source of imports, and purchases of goods and services from the US have risen at an average rate of 4.8%, while exports have been rising by a healthy rate of 6.2%. The US has been a good market for Australian beef—a direct beneficiary of the FTA—while exports to the US of aircraft parts and pharmaceuticals reflect the decisions of US multinationals to manufacture in Australia to support Australian Government–influenced purchasing decisions. Aircraft and pharmaceuticals are also among Australia's largest imports from the US, but the range of goods purchased there is broad, including many capital goods (machinery and telecommunications equipment) as well as crucial chemicals.

The US stands out as the biggest source for Australia's imports of services, including intellectual property, business consulting and finance, while it's also Australia's biggest export market for services other than tourism and education.

Trade with Japan—Australia's second largest partner—has been disappointing, despite the rapid development of liquefied natural gas (LNG) sales. Excluding the big three resource exports of coal, iron ore and LNG, Australia's sales to Japan haven't changed in a decade. While Australia imports a wide range of manufactured goods from Japan, the annual growth has been just 1.9%.

Similarly, exports to South Korea, excluding coal, iron ore and LNG, have fallen over the past decade. Imports from Korea, which are dominated by refined petroleum and motor vehicles but also include a wide range of manufactured goods, have held up better, averaging 6.1% annual growth.

The ASEAN trade partners Thailand, Malaysia and Indonesia, which Australia might look to as an alternative source to China for less sophisticated manufactured goods, have all failed to gain material market share, their sales to Australia rising by 3% a year or less. Exports to Malaysia and Indonesia have done better, but from a low base.

Both Austrade and the Department of Industry have strategies to assist businesses to diversify their markets, but that should become a much more substantial commitment.

The mandate of Austrade should be amended to include the promotion of Australia as a destination for imports, as well as simply supporting exports. The legislation establishing Austrade (or the Australian Trade and Investment Commission, as it's formally known) requires it to promote exports and both outward and inward investment to the extent that the investment supports exports. However, the legislation includes no reference to imports.

Economics 101 teaches that the point of an economy is to enhance consumer welfare or to raise living standards. Exports aren't an end in themselves but are a means to finance imports. It's ultimately the ability to purchase the best value goods from around the world that's the measure of a nation's living standard. Moreover, a disruption to imports can cause more widespread damage to the economy than a disruption to exports. This is being highlighted globally by the supply-chain interruptions affecting a wide range of consumer products over the course of this year.

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One small local example illustrates that. During the early days of Covid, it became impossible for quarries to obtain the cutting and grinding tools they usually sourced from China. That threatened the supply of concrete, which, in turn, threatened to bring the entire building industry to a halt.

There were alternative, if higher priced, supplies available from Germany, but organising new supply lines in the middle of the pandemic crisis was difficult.

The growth in Chinese exports to Australia, which has exceeded the growth of Chinese exports to other nations, has occurred because Chinese business has focused on the market opportunity in Australia.

For Australia to achieve a more diversified supplier base, it needs to market itself, and Austrade is the appropriate body to do so.

The Prime Minister and Trade Minister will typically solicit business leaders to accompany them on international trips. Austrade helps to organise and coordinate such business delegations.

Large Australian business missions should be organised to visit FTA partners, and missions of businesses from those nations should be invited here.

There's a broader point that Australia should be working harder to integrate its security and its economic policy. There's an element of that in the developing relationships with both India and the UK. The common security concerns of the two nations have led to their participation in new arrangements: the Quadrilateral Security Dialogue brings Australia together with India, Japan and the US, while the newly announced AUKUS arrangement includes the UK and the US.

The Australian Government is working to develop a bilateral trade agreement with India. Negotiations on a trade deal started in 2011 but stalled a few years later as it became obvious that India's labour-intensive agriculture would struggle to compete with Australia's capital-intensive approach. Agriculture is too important both economically and socially for India for any government to risk it being undermined by international competition.

However, with the new security partnership, negotiations on a trade agreement have restarted, although success is likely to hinge on Australia accepting limited inroads for our agricultural exports.

Australia is also working with the UK (also now a security partner through the AUKUS arrangement) on a bilateral trade agreement. Apart from gold sales, Australia's exports to the UK have been static at around $3 billion a year for the past 10 years. Imports are higher but have also shown little growth over the past decade.

It's been disappointing to see many of Australia's markets in China being seized by our principal security partner, the US, which has stepped up its shipments to China of coal, barley, beef and wine—all products targeted by Chinese coercion of Australia.

Australian Trade Minister Dan Tehan has raised the issue of China's trade barriers with the Biden administration in the US, saying, 'The US administration has been very clear that they won't leave us on the playing field alone, so we're looking at examining ways that they can help and support us.'

Tehan said there needed to be a 'collective approach' to ensure that countries implementing economic coercion suffered reputational consequences.

The problem isn't that US businesses are seizing opportunities as they arise—no US administration could stand in the way of that—but that the Biden administration is continuing to hold China to the bilateral agreement that the Trump administration struck as a ceasefire in its trade war, under which China is required to lift its purchases of US goods. That deal was always going to hurt Australia.

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China isn't buying goods that Australia used to sell from the US because they are lower cost or better value, but because the Chinese Government has banned purchases from Australia and the US Government has required Chinese purchases from the US. It's a world of managed trade that can only harm the interests of a mid-sized economy such as Australia.

The US's use of a bilateral agreement to seize export markets from a principal ally is an example of what happens when the world's most powerful nations depart from the rule of trade by the World Trade Organization to manage their commerce by the exercise of their power, effectively asserting that 'might makes right'.

Facing economic coercion from its principal trade partner, Australia needs to embark on concerted trade diplomacy—led by the Prime Minister—to engage our security partners in defending the governance of global trade according to agreed rules and to underline the damage caused when great nations dictate their own terms of trade.

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Acronyms and abbreviations

4IR	fourth industrial revolution
ADF	Australian Defence Force
ASEAN	Association of Southeast Asian Nations
ASIO	Australian Security Intelligence Organisation
DFAT	Department of Foreign Affairs and Trade
DSU	2020 Defence Strategic Update
EU	European Union
FSP	2020 Force Structure Plan
FTA	free trade agreement
GEO	geosynchronous orbit
LEO	low Earth orbit
LNG	liquefied natural gas
NASA	National Aeronautics and Space Administration
RAAF	Royal Australian Air Force
STEM	science, technology, engineering and mathematics

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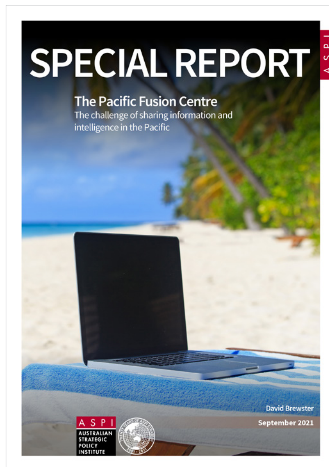

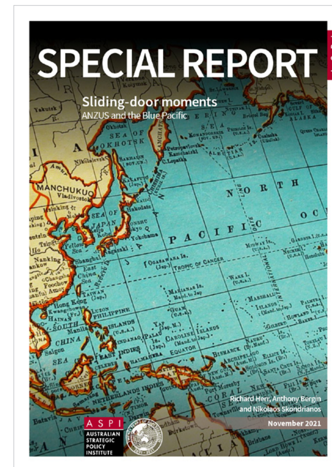

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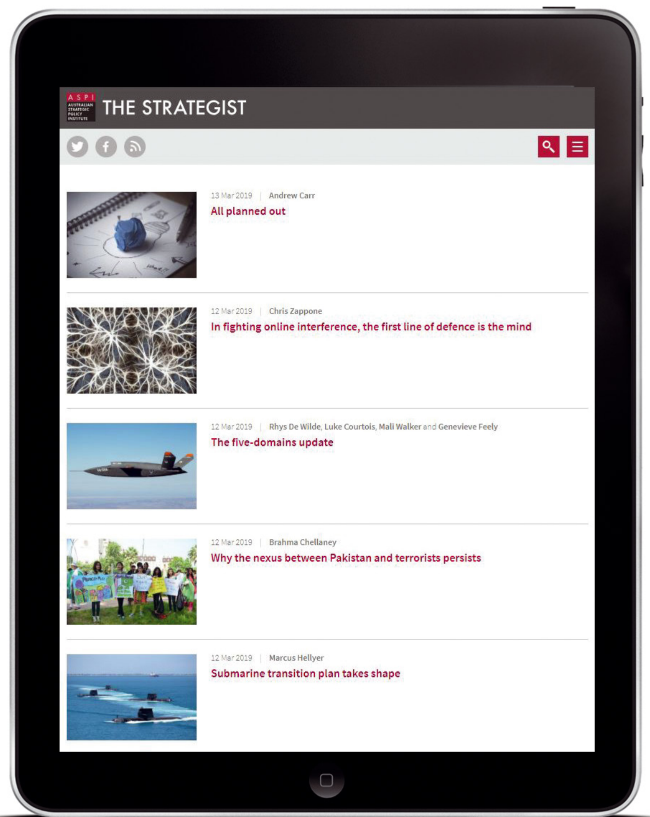

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