

Is the NDS fit for purpose?

AIP Presentation – 18 June 2024

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Scope

- **Recent History of Defence Strategies**
 - **Defence White paper 2016 & Defence Strategic Update 2020**
 - **US National Security Strategy**
 - **Defence Strategic Review 2023**
- **Threat**
 - **CCP Strategy**
 - **PLA Defence Spending**
- **Trade and Investment: China – Australia – US**
- **National Defence Strategy 2024**
 - **Federal Budget**
 - **Workforce Crisis**
 - **Focussed Force v Balanced Force**
- **Conclusion and Q&A**

2016 & 2020 – DWP 16 & DSU 20

Defence White Paper 2016

- Residual hope that exposure to democratic norms within global rules-based order – moderate China's totalitarian model of Government
- Outlook to 2035: **'no more than a remote prospect of a military attack by another country on Australian soil'**
- **Integrated Investment Program (IIP): Allocated \$195 Billion to FY 2025-26**

2020 Defence Strategic Update (not a White Paper) *'it is clear AUS strategic environment has deteriorated more rapidly than anticipate in 2016'*

- AUS increasingly complex strategic environment: **Major power competition**, militarisation, disruptive technological change and new threats
- Nations increasingly employing **coercive tactics below the threshold of armed conflict** – cyber-attacks, foreign interference, economic pressure seek to exploit the grey zone
- 'developing capabilities to hold adversary forces and infrastructure at risk further from Australia, such as **longer-range strike weapons, cyber capabilities and area denial systems.**'

THREE x NEW Strategic Objectives: Shape, Deter and Respond

2020 Force Structure Plan – Capability Development/ IIP \$ 270 billion to 2029-30

- Prioritise our immediate region
- Grow ADF's self-reliance/ sovereignty/ resilience
- Expand capabilities to respond to Grey-zone activities
- Enhance lethality for ADF for high-intensity operations



2022 - Contemporary US Strategy - NSS

STRATEGIC ENVIRONMENT - 'The world is at an inflection point'

Decisive decade for America and World. Two strategic challenges to international security:

1. Weakening post-WWII international order – **competition between Democracies and Autocracies** for the new world order. Foundational principles threatened: self-determination, territorial integrity, political independence, free information flow, universal human rights, global economy operating on a level playing field.
2. Shared **cross-border challenges**: climate change, food insecurity, communicable diseases, terrorism, energy shortages.

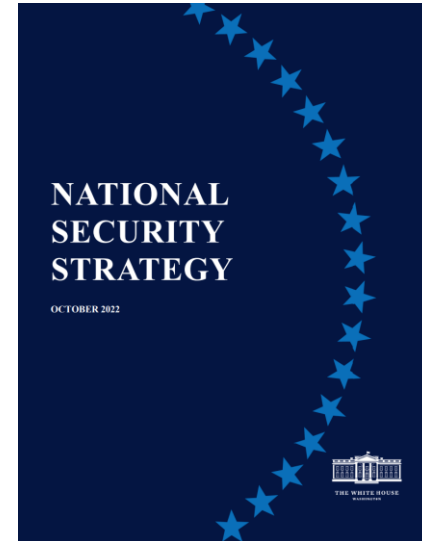
STRATEGIC THREATS

'PRC presents America's most consequential geopolitical challenge' globally – **PRC is the 'pacing challenge'**.

'Russia poses an immediate and ongoing threat to regional security in Europe'

- **China** continues its economic and military ascendance, asserting power through an all-of-nation long-term strategy, it will **continue to pursue a military modernization program that seeks Indo-Pacific regional hegemony in the near-term and displacement of the United States to achieve global pre-eminence in the future.**
- **China and Russia want to shape a world consistent with their authoritarian model**—gaining veto authority over other nations' economic, diplomatic, and security decisions.
- **China is leveraging military modernization, influence operations, and predatory economics to coerce neighbouring countries to reorder the Indo-Pacific region to their advantage.**

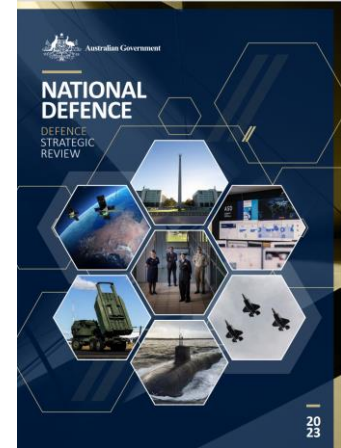
Iran and DPRK - Smaller autocracies are 'aggressive and destabilising'



2023 - Defence Strategic Review (DSR) - Public Version

PM and DPM/MINDEF released the unclassified Defence Strategic Review (DSR) on Monday **24 April 23**. Timely response to Australia's deteriorating geo-strategic environment.

- Despite being heralded as **'the most ambitious review of Defence posture and structure since WW2'** - broadly follows in the trajectories established in the DWP 16 and DSU 2020.
- **62 recommendations (unclas DSR) – 108 recommendations (Classified DSR)**
- Stressed the **sense of urgency** in building up of Australia's military capabilities - particularly to 2025.
- **'Strategy of Denial'** - preventing an adversary coercing states by force or threat of force (Chap 7).
- Changing ADF force structure from a **'balanced force'** capable to respond to a broad range of global contingencies, to a **'focussed force'** capable of responding to threats posed by China's massive military build-up (Chap 8).
- Acknowledgement of Defence's **significant personnel challenges** (Chap 11).
- Stronger emphasis on the **US alliance**, including the pursuit of advanced scientific, technological and industrial cooperation through AUKUS and **regional defence partnerships** (Chap 6).



2023 Budget – No additional funds the 'additional' \$42billion funding increase over the next decade to accommodate revised priorities came from **internal cross-levelling**:

- \$7.9 billion additional to Resilience, Effects, Defence, Space, Intelligence, Cyber and Enablers (REDSPICE)
- \$32.2 billion to the Guided Weapons and Explosive Ordnance Enterprise
- \$1.9 billion for AUKUS Pillar II
- (Ukraine war effort funding ~\$650mil)

CCP Strategy

PRC 'Grand Strategy': **'Making China Great Again'** - Displace the US and become the dominant global power:

1. Regional Dominance

- Detach countries from US alliances
- Place countries under its dominion: South China Sea, Taiwan

2. Global Dominance: China is the rising and natural hegemon in Asia and US is in relative decline.

- US should yield East Asia, withdrawing gracefully rather than risk war (that it would likely lose)
- Promotion of autocratic and anti-capitalist policies

'What China and Russia are trying to do is collapse the international political, economic order and replace it in a new order that's more consistent with their objectives. Russia wants to regain national greatness. China wants to achieve national rejuvenation. And they, in large measure, want to do it at our expense.' LTG (Ret'd) HR McMaster

20th National Congress of the Chinese Communist Party 16-22 Oct 2022 (held every 5 years – 19th Congress, Xi's first, Oct 2017 – much more aggressive!)

President Xi Jinping major speech 'Report to CCP'

Socialism with Chinese characteristics to realize Chinese dream of **national rejuvenation**

Grand Strategy – progressively radiating Chinese power and prestige:

'Chinese nation has stood up, grown rich and is becoming strong'.

- **2025-30: Military capability parity with US** (largest peacetime military build-up in history)
 - 'continue to enhance political loyalty in the military'
 - Modernise PLA 'more quickly elevating our people's armed forces to world-class standards'
 - Modernisation focus is to 'deter and manage crises and conflicts, and win local wars'
- **2035:** Much stronger economically and technologically, 'global leader in innovation, and completed its military modernisation
- **2049:** PRC Centenary: **'resolved the Taiwan question'**, a 'strong country' with 'world-class forces'



05 Aug 22: PLA-N in waters around Taiwan (Pelosi visit)

CCP Strategy

CCP priorities in order:

- Party leadership
- Centralised administration of the core Han heartland
- Stability of ethno-religious borderlands
- Integrity of land borders and security of coastlines
- **Reunification of TAIWAN – ‘one family bound by blood’**
 - ‘a historic mission and an unshakeable commitment’
 - ‘reunification . . . the natural requirement for realising the rejuvenation of the Chinese nation’
 - ‘will never promise to renounce the use of force, and reserve the option of taking all measures necessary’
- Resolution of near-seas sovereignty claims with 8 x maritime neighbours
- Safeguarding overseas interests – PLA-N Bluewater ‘power projection’ ports.

National People’s Congress, 11 Mar 2024, 3,000-members approved a revised State Council law to follow **‘Xi Jinping Thought (XJT)’** on Socialism with Chinese Characteristics for a New Era’ - now the principal ideology governing China.

- Tied to a dream of **national rejuvenation by 2050** that includes **reunification with Taiwan**.
- Create one patriotic people: united by one party, one ideology and one leader. With Xi officially at the core, ideological indoctrination is firmly controlled by the CCP emphasising strict discipline and a highly centralised hierarchy. **CCP supremacy is the only way to realise the Chinese Dream**.
- Xi’s global vision embraces **China First—for China to be the world’s top power by mid-century**.



ASEAN Summit - 07 September 2023
Premier Li Qiang unveiled the ‘standard map’ - **Nine-dash line becomes the Ten-dash line**

- Malaysia, the Philippines and Vietnam protested.

Defence Spending

2023: China claimed 1.55 trillion yuan (**US\$225bill**), Stockholm International Peace Research Institute estimated **US\$286bill** (1.7% GDP)

- US National Defense Authorisation Act 2024 **US\$916 bill** (3.4% GDP)
- AUS: May 23 Budget **AUD \$49bill** (US\$32bill) (1.9%GDP)

2024: US: National Defense Authorisation Act 2025 – **USD \$884bill** (~3.0% GDP)
AUS: May 24 Budget **AUD \$52.3bill** (USD\$33.9bill) (2.02% GDP)

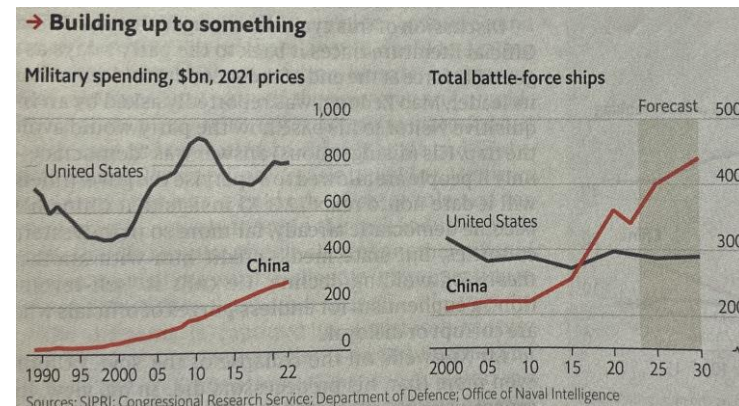
Nuclear Warheads: >400 (2023), 700 (by 2027), 1000 (by 2030), 1500 (by 2025) - **US has 3750 (2020)**

Growth of PLA-N: **66 to 79 submarines** (10 x SSBN – ballistic missiles), **355 to 440 warships by 2030** (incr. 3 x Carriers to **6 x Carriers by 2035**).

- PLA-N's 75th Anniversary: 22 Apr 2024 footage released of successful launch of **JL-2 Ballistic Missile (8000km range)** from a nuclear-powered submarine Type 094A, demonstrating a second-strike capability.

USN: [**US 71 SSN** (14 SSBN, 4 SSGN – guided missiles), from **792** (1970s) to **291** (2024) to **290 (2030)** to **355** (2040) to **367** (2052), incl. 11 x Carriers [note USS Gerald R Ford cost \$US 13bn with crew of 4500]. **USN now estimate it realistically requires 500 warships.**

RAN: 38 x Commissioned ships (incl. 6 x conventional subs). Surface Fleet Review plans for **26 x Combatant Ships** (+ 6 x conventional subs) [6 x Hunter Frigates, 3 x Hobart Destroyers, 6 x Optionally crewed vessels, 11 x General Purpose Frigates]



ASIO's Annual Threat Assessment - 2024

Emerging Technology and Securing Innovation Summit, Stanford University - 16 October 2023

DG ASIO: *'The Chinese government is engaged in the most sustained, scaled and sophisticated theft of intellectual property and expertise in history. It is unprecedented and it is unacceptable. China has developed a ruthless business model to seize commercial advantage.'*

Director General ASIO, Mike Burgess - 28 February 2024

- 'When **we see more Australians being targeted for espionage and foreign interference than ever before** . . . Australians need to know that the threat is real. The threat is now. And the threat is deeper and broader than you might think.'
- **Australia's defence capabilities are a top intelligence collection priority** for Australia's adversaries . . . We know that foreign intelligence services are targeting Australia's military capabilities with an insatiable appetite to steal a wide range of advanced technology, as well as gain insight into our operational readiness and our tactics, techniques and procedures.

Defence Forum, Canberra, 28 May 2024. A former Chinese spy warned there are **more than 1,200 Chinese spies in Australia.**



ASIO Director-General Mike Burgess, Canadian Security Intelligence Service Director David Vigneault, FBI Director Christopher Wray, New Zealand Security Intelligence Service Director-General of Security Andrew Hampton, and MI5 Director General Ken McCallum



Trade and investment: Australia – China – US

Trade and investment

- **China is Australia's largest two-way trading partner in goods and services**, accounting for nearly 27% of our trade with the world.
 - Two-way trade with China **increased 9.2%** in 2023, totaling **\$326.9 billion** - Despite a series of trade restriction by China.
 - Our goods and services exports to China totaled **\$218.8 billion** in 2023, up 18.2% compared to 2022
- **China is the fifth-largest foreign direct investor in Australia** (investment stock worth \$46.6 billion in 2023), accounting for 4.0 per cent of total foreign direct investment (FDI). Australian FDI in China totalled \$2.2 billion in 2023.
- **The United States is Australia's third largest trading partner** (after Japan).
 - Two-way trade stood at **\$87.3 billion** in 2022 in goods and services.
 - Australia's goods and services exports to the United States were \$27.4 billion. Australia's total imports from the United States were \$53.4 billion.
- The **United States is Australia's largest and most significant two-way investment partner**, FDI into Australia standing at **\$2.2 trillion** in 2022.
 - The United States Australia's largest foreign investment destination, with outbound FDI in the US of **\$1.073 trillion** in 2022.

Note: Taiwan is Australia's **ninth largest two-way goods and services trading partner in 2023**, with trade worth **\$33.6 billion**. Taiwan was Australia's sixth largest goods and services export market in 2023, worth \$23.5 billion.

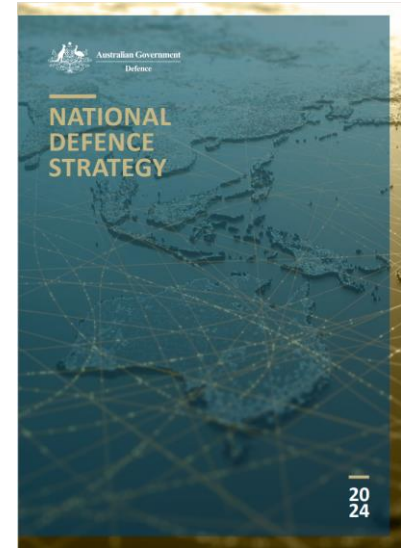
2024 – National Defence Strategy

Press Release, 17 April 2024

- ‘Albanese Government has released the inaugural National Defence Strategy, which sets out a **fundamentally new approach** to the defence of Australia and our interests.’
- ‘outlines the Government’s strategic framework to guide the **significant and urgent changes required** to address Australia’s challenging strategic circumstances.’
- ‘deliver an ambitious transformation of the Australian Defence Force (ADF) to an integrated, **focused force** capable of safeguarding Australia’s security for decades to come’

Australia’s strategic environment

- ‘Australia faced its **most challenging strategic environment since the Second World War.**’
- ‘Entrenched and **increasing strategic competition between the United States and China is a primary feature of our security environment.**’
- ‘**unprecedented conventional and non-conventional military build-up in our region**, taking place without strategic reassurance or transparency.’
- ‘challenges to regional stability and prosperity arising from this competition are being compounded by a range of other security risks, including climate change, grey-zone activities and technological advancements.’



2024 – National Defence Strategy

- The National Defence Strategy sees a **Strategy of Denial** become the cornerstone of Defence planning. Defines Defence's contribution to *National Defence* and spans all domains – **maritime, land, air, space and cyber**.
- *'Aims to deter any conflict before it begins, prevent any potential adversary from succeeding in coercing Australia through force, support regional security and prosperity and uphold a favourable regional strategic balance.'*
- The adoption of National Defence means the ADF will **shift from a balanced force capable of responding to a range of contingencies**, to an **integrated, focused force** designed to address Australia's most significant strategic risks.
 - This reset has involved a **complete rebuild of the Integrated Investment Program** to ensure it is a coherent, logical and affordable plan for defence capability.
- National Defence Strategy and the Integrated Investment Program are designed to ensure the ADF has the capacity to:
 - **defend** Australia and our immediate region;
 - **deter** through denial any potential adversary's attempt to project power against Australia through our northern approaches;
 - **protect** Australia's economic connection to the region and the world;
 - **contribute** with our partners to the collective security of the Indo-Pacific; and
 - **contribute** with our partners to the maintenance of the global rules-based order.

Workforce Crisis

National Defence Strategy directed 'the need for a fundamental transformation of defence's recruitment and retention system'.

- widening of eligibility criteria to enable more people to join the ADF; streamlining and improving the recruiting system; and encouraging personnel to serve longer through retention initiatives.
- By mid-2025: **63,597** personnel required across the services
- Only **58,600** will be estimated ADF strength.
 - The Australian Submarine Agency growing from 478 to 665 by mid-2025, creating '900 new public service jobs' by FY 26-27
 - Expansion of Australian Signals Directorate via REDSPICE (Resilience, Effects, Defence, Space, Intelligence, Cyber, Enablers) to grow an additional **1900 cyber staff**.
- **Projected shortfall of 5000 personnel by next year**

Federal Budget 14 May 2024

- Budget Expenses 2024-25 (Government Outlays \$735billion)
 - Social Security & Welfare: **36.3%**
 - Health: **15.3%**
 - Education: **7.2%**
 - Defence: **6.5%**

Albanese Government is investing an additional **\$5.7 billion** over the next four years (to 2027-28) and **\$50.3 billion** over the next decade (to 2033-34) in Defence funding, above the previous trajectory over that period.

(Remembering the 2020 Force Structure Plan – Capability Development was \$ 270 billion to 2029-30)

- **2024-25 Defence Portfolio Budget Statements – Forward estimates**
 - **FY 24/25** **\$52.58billion** **2.02% GDP**
 - **FY 25/26** **\$55.46billion** **2.04% GDP**
 - **FY 26/27** **\$57.96billion** **2.01% GDP**
 - **FY 27/28** **\$67 billion** **2.12% GDP** Additional **\$5.7billion** over forward estimates (note **\$3.8 billion allocated in FY 27/28**)
- Bulk of **IIP \$330 billion** allocated beyond Forward Estimates **between FY 28/29 out to FY 33/34** (2.4% GDP)

[Marcus Hellyer, Strategic Analysis Australia – estimates Defence has **lost 8%** of real budget due to inflation, requires an additional **\$4bn per year** to make up for inflation loss since 2021.

Strategy-led or a Budget-defined Focussed Force?

Capability priorities for a Strategy of Denial

- Undersea warfare: Nuclear-powered submarines to hold adversaries at risk (Submarine program costs **\$368 billion**)
- Long-range precision strike to deter adversary power projection (LAND 8113 Phs 2-4)
- Cyber & Space to strengthen situational awareness
- Amphibious/ Littoral manoeuvre capabilities (LAND 8710 Phs 1-2)
- Projection of air power (AIR 6000, etc)
- Protection of critical infrastructure
- Logistics to sustain protracted combat operations
- Northern Bases to project forces
- **What capabilities can we NOT do?**

No additional Budget = Zero-sum Game

- **Solution** **reduce** ADF land combat capability (*'choose not to fight land combat!'*)
- LAND 400 Phase 3 –Infantry Fighting Vehicle acquisition should be reduced from 450 IFVs (\$27billion) to 129 IFVs (\$7billion)
- LAND 8116 Phase 2 – Protected Mobile Fires (second regiment of Army self-propelled howitzers cancelled)

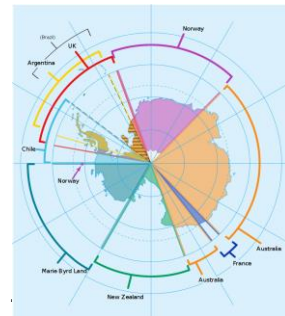
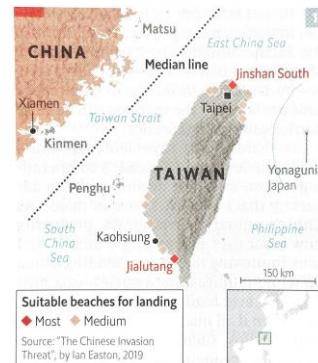
‘What is certain about the future is that even the best efforts to predict the conditions of future war will prove erroneous.’ (LTG H.R. McMaster)

- **Military structures should be built accepting this reality** - based on a range calculated threats – but must have sufficient capacity to withstand the first strategic shock to rapidly reorient and respond.
- DSR – Force Structure
 - From ‘a **balanced force** is **designed to be able to respond to a range of contingences** when the strategic situation remains uncertain. . the broader purpose of the ADF was for it to be structured to respond to a range of contingencies.
 - ‘ADF needs a much more **focused force** structure based on net assessment, a strategy of denial, the risks inherent in the different levels of conflict, and **realistic scenarios agreed to by the Government . . . designed to address the nation’s most significant strategic risks**’.
- **Focussed Force is built on a particular Most Dangerous threat** – China’s military build-up, regional aggression/ expansion, threats to Taiwan, and to ‘enhance the ADF’s ability to deter a potential adversary from projecting force against Australia’ through the archipelago to Australia’s north and to our sea lines of communication.

‘Prediction is very difficult, especially if it’s about the future’ (Niels Bohr)

What if China chooses not to fight this way?

- **Cold War 1** – War by proxy: Africa, Afghanistan, Malaya, Vietnam, . . .
- **Cold War 2** – Authoritarianism v Democracy: Ukraine, Gaza, Yemen . . .
- **Current PLA examples:**
 - Joint Blockade ‘Isolation’ of Taiwan (Pelosi visit Aug 2022, inauguration of President Lai May 2024)
 - Cyber – attacks on infrastructure and banking systems, disrupt undersea cables
 - Cognitive warfare disrupt democratic processes: Opinion manipulation, Psych threats, Legal Warfare
 - Deny access to Space-based technology
 - Activities in South China Sea:
 - Grey Zone tactics – use of ‘Coast Guard’ and ‘fishing vessels’
 - ‘normalisation’ of harassment and incursions
 - **Foment civil unrest/ war in Australia’s partner nations?** – PNG, Philippines, Bougainville, Solomon Islands. . .
- **Antarctica & Southern Ocean Territories:** **No mention in NDS** China has 5 x Research Stations - 3 are in Australian Antarctic Territory



Conclusions

- Increasing belligerence and assertiveness of Authoritarian states (PRC, Russia, Iran and North Korea) challenging the post-WW2 US-led global order.
- We are no longer in a 'post-War' world - **We are in a 'pre-War' world**
- NDS continues Australia's ongoing strategic adjustment to deteriorating strategic circumstances
- **NDS & IIP are underfunded** – any significant funding programmed beyond forward estimates
 - ADF Force structure re-design constrained by 'zero-sum game' approach
 - 'Focussed Force' is optimised for a **narrow range of counter-China maritime scenarios**
 - 'Focussed Force' has **insufficient land combat capabilities**
- **Limits ADF capacity to respond to a broad range of contingencies** and unexpected strategic shocks.

THANK YOU

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