AUSTRALIA’S DEFENCE POLICY: A MARKET-STATE APPROACH?

Submitted in fulfilment of the requirement for the degree of
Doctor of Philosophy

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I am the author of the thesis entitled

Australian Defence Policy: a Market-state Approach

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**Thesis Contents**

<table>
<thead>
<tr>
<th>Chapter</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chapter 1</td>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Australia’s Defence Policy: a Market-State Approach</td>
<td></td>
</tr>
<tr>
<td>Chapter 2</td>
<td>Market-State Theory and Australian Security</td>
<td>36</td>
</tr>
<tr>
<td>Chapter 3</td>
<td>The Australian Threat Environment</td>
<td>89</td>
</tr>
<tr>
<td>Chapter 4</td>
<td>Case Studies</td>
<td>161</td>
</tr>
<tr>
<td>Chapter 5</td>
<td>An Australian Market-State Defence Policy</td>
<td>216</td>
</tr>
<tr>
<td>Chapter 6</td>
<td>Conclusion</td>
<td>246</td>
</tr>
<tr>
<td></td>
<td>Bibliography</td>
<td>264</td>
</tr>
</tbody>
</table>
Chapter 1

Australia’s Defence Policy: a Market-State Approach

Thesis Overview

The international security environment can be described as ‘uncertain’ or even protean. There is a lack of consensus amongst academics and commentators on its future shape. Rod Lyon describes four categories of futures that are vying for primacy as a strategic world-view. These are: an optimistic group whose advocates claim that things will get better, this includes those who ascribe to the triumph of liberal democracy; a pessimistic group who claim things will get worse as a result of a looming chaos, clash of civilisations, resource shortages etc; the third group are those who claim that things are the same as before September 11, that is, the main game remains the relations between states; and the fourth, who describe a ‘Medieval-like landscape’ in which military force will no longer be the preserve of the state and that main dangers to international security will come from weak rather than strong states.¹

Symptomatic of this strategic uncertainty within the Australian context is the ongoing debate between the so-called ‘Regionalists’, the defenders of the Defence of Australia (DAO) paradigm led by its architect, Paul Dibb and the Alan Dupont-led ‘Transnationalists’ who argued that the events of September 11 have had a transformative affect on the international security environment. Dibb ascertains that relations between states remains the main game, while Dupont argues for a global approach to security.

This was no minor academic scuffle, rather it was a major debate about the very underpinnings of Australia’s defence policy. In the aftermath of the East Timor intervention of 1999, the Transnationalists gradually gained ascendancy. We saw major instruments of Australian defence policy such as the 2000 White Paper and the updates of 2003, 2005 and 2007 as well as the 2009 White Paper², while continuing to use DOA rhetoric, acknowledge

¹ Rod Lyon, *Alliance Unleashed: Australia and America in a New Strategic Age*, Australian Strategic Policy Institute, Canberra, June 2005, pp. 15-16.

² The 2009 White Paper did partially return to the rhetoric of the Defence of Australia paradigm. It clumsily attempted to reconcile geographic determinism and an interests-based approach to securing Australia.
that the international security agenda had become much broader and more complex in the post-Cold War period. There was awareness that processes of globalisation, so evident in the economic sphere, were impacting on security. Under the Howard, Rudd and Gillard governments, the Australian Defence Forces (ADF) has been required to focus more on non-state threats such as global terrorism, weapons of mass destruction proliferation as well as humanitarian assistance and disaster response.

In 2002, Philip Bobbitt published the seminal, *The Shield of Achilles: War, Peace, and the Course of History*, in which, he postulates that the nation-state is evolving into a fundamentally new form, which he calls the market-state.³ He claims that this evolutionary process is creating tensions in the international system of states, which in turn are responsible for many of the major post-Cold War conflicts including the global war on terrorism. The Bobbitt thesis provides an insight into international relations that transcends the interpretation offered by the established schools of realism, liberalism, and constructivism. This must be tempered with the understanding that Bobbitt's work is a normative undertaking, that is, biased towards the maintenance of American dominance of the international system and therefore the strategic prescriptions he offers will not necessarily be suitable for middle power Australia. Nonetheless, it is my contention that Australia is evolving into something like Bobbitt's market-state and it follows that its defence policy should be informed by market-state strategy.⁴

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³ Bobbitt identifies three different types of market-state. The 'entrepreneurial' market-state has democratic governance of a libertarian type i.e. 'the role of society is to set individuals free to make their own decisions' (*The Shield of Achilles*, p. 671) and there is minimal state intervention in the economy and limited social security for individuals. Examples of states likely to evolve into states closely approximating this form include the United States, United Kingdom and, I posit, Australia. The 'mercantile' market-state has a strong central government that protects local industries, subsidizes research and development and 'picks winners'. It favours the collective at the expense of the individual - examples include Japan, Singapore and South Korea. The 'managerial' state is characterised by free and open markets in a regional framework, the government provides a substantial social security net and maintains a strict monetary policy; and there is strong social cohesion. Examples of states evolving into the managerial form include Germany and France.
Thesis Aim

My aim is to demonstrate the veracity of Phillip Bobbit’s claim proposition that the nation-state is evolving into the market-state, and that this process is having a transformative effect on the international order, generating new threats that are forcing states to adopt new approaches to security. In addition, I will show that Australia, like the United States and Britain, is evolving into something approximating what Bobbitt calls an entrepreneurial market-state. Entrepreneurial market-states have a particular strategic modality quite different to that of the nation-state and thus, I posit that Australia should adopt a market-state approach to formulating its defence policy. Finally, I will provide an insight into what this defence policy might look like.

Methodology

As the basis of the thesis’s methodology, I have used a combination of case study and, what I have termed, theoretical critique to demonstrate the veracity of my central argument. This approach was selected due to the novel nature of the subject matter. Bobbitt’s theory of state evolution and its impact on the international environment does not fit neatly into any of the major international relations schools. Further complicating the task is the relative dearth of academic critique of his work. Despite this, his ideas have struck a cord with Australian and international political and military leaders in the last decade and therefore his work is worthy of detailed investigation. Cole Moreton of the Independent described his influence on American leaders thus:

“[f]our US leaders have sought his advice. Now Barack Obama is speaking like a disciple...this man Henry Kissinger calls 'the outstanding political philosopher of our time’”

The use of case study methodology enables me to identify examples of state behaviours in relation to security problems and then discern strategic approaches that are different to those

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5 Former Prime Minister John Howard and Chief of Army General Peter Leahy quoted Bobbitt in speeches shortly after the publication of Shield of Achilles. The term ‘Long War’ terror was borrowed, albeit out of context, by the Bush administration to describe the war against terrorism. Bobbitt’s influence on past presidential administrations as well as President Obama is overviewed in Cole Moreton, ‘Philip Bobbitt: the president’s brain’, The Independent (London) http://www.independent.co.uk/news/people/profiles/philip-bobbitt-the-presidents-brain-872412.html, 20 July 2008 [Accessed 10 September 2011]
typically adopted by nation-states and are not satisfactorily explained by realist and, to a lesser degree, liberal international relations theory. This enables me to assess the utility of Phillip Bobbitt’s theory of state evolution; in particular his proposition that the nation-state is transforming into the market-state. Once this is completed, I will use Australia as a case, testing the notion that like the United States and Britain, it too is developing entrepreneurial market-state-like characteristics. I will then assess what this means for future Australian defence policymaking.

The use of a theoretical critique — comparing key tenets of realist and liberal theory with Bobbitt’s major propositions — will allow me to find and explore any common ground as well as identify any major differences. In addition, this approach will include an assessment of the established international relations and Bobbitt’s theories respective abilities to explain security phenomena and state reactions to them, within the current international environment.

Case Studies

A frequent criticism of the case study methodology is that it is impossible to reach a generalising conclusion based on a single case. However, as Winston Tellis argues, case studies should be used to establish parameters (as I have done in this thesis), which are then applied to the research. He argues that "[c]ase study can be seen to satisfy the three tenets of the qualitative method: describing, understanding, and explaining". This assumes that the case study is selected with appropriate rigour. This is potentially problematic in the study of international relations particularly within the context of state evolution, for while there is agreement on what constitutes a nation-state, there is much debate regarding the impact on it of the forces unleashed by globalisation. Indeed, the state’s standing as the key referent in the international environment is now contested.

The approach I have elected to use is to initially analyse and then assess Bobbitt’s proposition that developed states such as the United States, Germany, Japan and Britain; and developing states including China and India are undergoing transformation. These states, arguably most affected by globalisation, are evolving into something like Bobbitt’s market-state. The next step is to test the proposition that their behaviours, particularly in relation to resolving

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security problems, are diverging from what one would expect of nation-states. I will then use Bobbitt’s criteria and comparison with the United States and Great Britain (to a lesser degree) to assess Australia’s bona fides as a candidate for entrepreneurial market-statehood. Having established this proposition, I will then identify and apply those elements of entrepreneurial market-state strategy, which Bobbitt has posited for the United States, that can be applied to Australia’s middle power circumstances.

I have selected four major cases (Chapter 4) to test the United States and Australia’s security behaviours as market-states, that is, in a general sense as well as ‘entrepreneurial’ variants of the market-state. I have also selected a number of lesser cases to assess the proposition that a number of key regional states are tending to the mercantile form and potentially, what this means for Australia’s future security.

**Major Cases**

To test the broader proposition that the United States is showing many of the characteristics of a market-state, I will examine its strategic approach against al Qaeda — as a major case study in Chapter 4. This conflict was selected because of its unique nature; it is conflict in which an American-led coalition is attempting to ameliorate the threat of the first truly global terrorist organisation, which is itself a demonstrable market-state phenomenon. The case is a vehicle to identify and discuss America’s market-state strategic approach to ameliorating non-state based threats. I will assess the strategy’s key elements, including America’s fostering of cooperation between states (including building ad hoc coalitions of the willing to meet specific exigencies); expanded use of military forces, particularly special forces; and the use of information age operational approaches not typically employed by nation-states. This includes the use of the transnational media network to wage information warfare — essentially a battle of ideas with militant Islam. In addition, due to the threat posed by global terrorism to Australia’s security and the likelihood of its ongoing participation in the ‘war against terror’ it is highly relevant to any future Australian defence policy.

I will also use as a case, the ‘Battle of Basrah’ — a major operation that occurred in the latter stages of the ‘Iraqi Surge’ (in early 2008) to assess the behaviour and performance of military forces in a conflict that is likely to be characteristic of the conflicts in the market-state era. This case was selected largely due my participation; I was in Baghdad at the time and had access to sensitive reporting and was able to closely observe the Coalition leadership’s often ‘novel’ responses to the conflict’s complex challenges. Also, given Australia’s history of
contributing to American-led global security campaigns, its relevance to future applications of ADF operational art is readily apparent.

I have also used John Arquilla’s concept of ‘swarming’ as the basis of assessing the evolution of warfare in the market-state era. I argue that the ICT revolution has enabled non-state networks such as terrorist organisations to acquire detailed situational awareness of their opponents and greater prospect of success by being able to broadly disperse and synchronise their tactical unit actions. In addition, I have used Arquilla’s argument that some states too are adopting swarming as the basis of my proposition that the ADF seriously consider its use operationally, and to re-assess its major platforms acquisition program.

Finally, to test the proposition that Australia is evolving into a market-state, I will use Australia’s foreign policy approach to Indonesia as a case. The size of its population, proximity, status as the world’s largest Muslim state as well as its leadership position with Southeast Asia means that Australia’s security is enhanced by a sound relationship with it northern neighbour. The case will frame the relationship within its strategic context and demonstrate Australia’s market-state behaviours, in particular the preclusive underpinnings of its strategic approach. My key proposition is that Australian security is enhanced by an Indonesian ‘state of consent’. Thus, Australia provides targeted aid to enhance secular education, precluding the growth of militant Islam by reducing the number of students attending radical madrassas. In addition, the case examines in some detail several other major lines of operation that I have identified in Australia’s Indonesian policy.

Finally, in order to confirm the veracity of a key element of my central argument, I will demonstrate that the phenomena discussed in each case study are not what one would expect of a nation-state and cannot be convincingly explained by either realist or liberal conceptualisations of international relations.

I acknowledge that these three main cases are not all-encompassing and there is the danger of being overly selective in attempting to prove the veracity of my central argument. However, I will use multiple minor cases to test my general market-state proposition, achieving what N. K. Denzin cited in Tellis, ‘Introduction to Case Study’, describes as intra-method

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triangulation to minimise the possibility of ‘theoretical myopia’ and generally maximise confidence in the robustness of the thesis’s central argument. Nonetheless, there would be significant concerns with relying on this methodology alone, as Denzin surmises; there is weakness in relying on one paradigm alone. Hence, the importance of testing the major case studies within Chapter 4 with alternative international relations theories, which will achieve a more robust cross-methodology triangulation. It should be noted that I will limit the scope of this triangulation to the two ‘more popular’ international relations schools. I will not use radical theory and constructivism due to their relatively limited acceptance by policymakers, particularly in the states selected as cases. This is of course, a limitation albeit necessary in terms of word length.

The criteria upon which I will base the assessment of a state’s (including Australia) likely evolution into a market-state will include: its progress in developing a knowledge based economy; its use of market mechanisms to deliver government services; its paring back of government involvement in the direct delivery of services such as public transport, education and power generation, and; its winding down of social welfare networks. In addition, demonstrating the market-state’s very different relationship with its citizens, which is now apparent within the Australian state, is fundamental to comprehending what, I posit, should be its strategic approach. The market-state provides the necessary infrastructure for its citizens to improve their economic circumstances and a basic (by nation-state standards) welfare net rather than the nation-state’s aspiration of comprehensive ‘cradle to grave’ care. Consequently, the nation-state could ask much of its citizens in terms of personal sacrifice in times of security crisis. The market-state offers it citizens less — though not in terms of general security — and therefore must demand less of them. I will explore what this means in relation to an Australian market-state’s future defence policy.

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9 Bobbitt, Shield of Achilles, p. 912. For a detailed discussion see pages 216-242.
10 Nation-states sacrificed hundreds of thousands of their citizen’s lives and enforced society-wide economic privation in the major wars of the twentieth century. In the dawn of the twenty-first century, the United States, encumbered with two major wars, introduced major tax breaks for its richest citizens and effectively made its professional military forces carry the entire burden. Citizens were enticed into military service with market incentives such has tertiary education scholarships and large cash bonuses.
**Minor Cases**

I will use United States and Britain (to a lesser degree) as entrepreneurial market-state exemplars, identifying the key political, social and economic features that qualify them as this form of market-state and then make a comparison with Australia. I will use a similar approach with Germany and Japan as exemplars of the managerial and mercantile forms, respectively, to assess significant regional states. These will include China, Indonesia, Japan, Singapore and India. This identification of market-state constitutional form is significant for Australia security for Bobbitt suggests that an epochal war, fought over constitutional legitimacy, is in prospect and I posit that East Asia is likely to be dominated by the mercantile form.

**Critiques**

**Realist and Liberal Critiques**

The dearth of material discussing or critiquing Bobbitt’s theories required an alternative approach to a literary review. In essence, the solution was to identify the key international relations concepts in his work, compare, and test them against appropriate concepts in accepted international relations theories, namely the contending schools of liberalism and realism. I will focus on the underpinning concepts within each school and test them against comparable Bobbitt ideas. From realism, I will use the key concepts of statism—the notion that the accumulation of power by a state increases its security; states operate as ‘black boxes’ within the international environment power; and state cooperation. From liberalism, I will use the concepts of the moderating influence on state behaviour of international institutions; state cooperation; and the democratic peace theorem. The critique will show that Bobbitt’s theory shares features of both plus obvious fundamental differences, but provides a far more nuanced explanation for the current security environment.

As noted above, the triangulation provided by this approach is limited by the choice of two major international relations schools and ignores any insights that might be provided by radicalism and constructivism. I undertook this approach due to the practicalities of limited time and reasonable word length. Certainly, the use of principles from radical theory and constructivism to critique Bobbitt’s ideas is worthy of future endeavour.
Regionalism and Transnationalism

I will use market-state theory as a lens to provide insight into the strategic uncertainty within the Australian context, which has been manifested in the debate between the respective supporters of regionalism and transnationalism approaches to Australian defence policy. The key concepts and premises from each school are evaluated against market-state security and strategic concepts. This approach will show whether Bobbitt’s market-state theory shares some common ground with both schools or not, and highlight any important differences. This approach will provide some further triangulation in assessing the veracity of Bobbitt’s theories while illuminating the impact of globalisation on Australia’s strategic circumstances. It is some limitation is this in that I effectively use Bobbitt’s ideas as the point of reference to test the key propositions of each school. However, this will be acceptable if the preceding theoretical critiques demonstration sufficiently the utility of his ideas.

Synthesis – an Australian Market-State Strategic Approach

The final aspect of the thesis methodology is to establish a basis for the synthesis of the case studies and critiques to establish an Australian market-state strategic approach that in turn can inform a future Australian defence policy. As part of this process, I will use the 2009 Defence White Paper to establish Australia’s formal defence policy’s strategic foundation and examine its suitability in relation to market-state security realities. The final result of the methodology will be a set of prescriptions for a defence policy approach that will enable the Australian state to provide reasonable security for its citizens in the market-state era.

Thesis Structure

Chapter 1: Introduction

This chapter introduces the reader to the general uncertainty that pervades western strategic thought. It describes how this plays out in the Australian context, that is, the debate that has continued throughout the last decade between supporters of the Defence of Australia paradigm (priority task of the ADF should be defence of the continent against an attack by another state), and advocates for a global approach to Australian security (essentially, Australia should protect its interests unconstrained by geographical imperatives). Bobbitt’s theory of state evolution is presented as a prism through which some sense can be made of Australia’s prevailing security environment. The market-state is introduced with some
discussion on its defining characteristics, a possible genealogy and general strategic concepts. I introduce the reader to the proposition that Australia has and continues to acquire many of the characteristics of Bobbitt’s market-state and then demonstrate the applicability of market-state strategic mechanisms to Australian security circumstances.

Chapter 2: Market-State Theory and Australian Security

The chapter will provide the reader with a working understanding of Bobbitt’s theories on state evolution, focusing on the nation-sates evolution into a market-state. It will examine in detail a prospective genealogy of the market-state and argues that Australia has many of the characteristics that define what Bobbitt calls ‘the entrepreneurial market-state’.

A review of the literature has revealed a relative dearth of academic critique of Bobbitt’s works. While there are some references to his ideas by scholars such as Paul Monk and Hugh White, there is not detailed analysis. Consequently, I have elected to use realist and liberal theory to analyse his key theoretical concepts. In particular, I have analysed Bobbitt’s concepts of state evolution with emphasis on its latest incarnation — the market-state. My conclusion is that while his work shares some common ground with some liberal and realist theory, there is much that is at odds. In both The Shield of Achilles and his more recent work, Terror and Consent: the Wars for the Twenty-first Century, the state remains the key referent and the international order is conceptualised as essentially anarchical in nature. However, Bobbitt’s theory provides a temporal depth missing in realist and liberal theory — he uses history to demonstrate an evolutionary process that results in state transformation and new international constitutional orders. He describes the state as having an internal face (its constitution) and an external face (its strategic approach) which interact with each other.

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12 An example of this interaction in play is Napoleonic France, which was the first of the state-nations that dominated the international order in the nineteenth century that forced territorial states to adopt its constitutional innovations to complete. These included, perhaps most significantly, the constitutional innovation - levée en mass, which was an early form of universal conscription. The strategic consequence was that France was able to raise armies on an unprecedented scale. By 1794 the army of French republic
In relation to liberalism, a number of concepts resonate with Bobbitt’s ideas. He agrees with the idea that institutions do moderate state behaviour, but argues that those formulated in the nation-state era need to transform if they are to remain relevant to market-states. There is also common ground with liberal notions of growing state interdependence and the need for broad cooperation across a range of major areas of state endeavours, including: economics, security, the promotion of human rights and the environment. But he does not see the forces of globalisation causing a diminution in the power and centrality of the state in the international system and he does not believe in the notion of the ‘democratic peace’.

The chapter overviews Australia’s own strategic uncertainty, contrasting the geographical based strategic approach of supporters of the Defence of Australia (DOA) paradigm, the so-called ‘regionalists’; and the global security approach of the ‘transnationalists’. I demonstrate that the transnational approach based as it is on protecting Australia’s interests in the global arena shares significant common ground with Bobbitt’s ideas, whereas the geographic determinism that underpins the regional approach is at odds with them.

Finally, I demonstrate that Australia’s traditional grand strategy with its recognition of Australia as a maritime trading state with far-reaching global interests and reliance on the great maritime state of the era to underwrite its security is compatible with the respective evolution by both the United States and Australia into a market-state.

**Chapter 3: The Australian Threat Environment**

In Chapter 3, I have assessed Australian security using conventional realist concepts juxtaposed with market-state ones. While I concur with the notion of global security underpinning Australia’s defence policy, I have placed major focus on the Asia-Pacific’s and Indian Ocean regions, assessing extant and potential state and non-state-based threats to Australian security. This is justified by Australia’s status as a middle power with commensurate limits to its diplomatic, economic and military clout as well as the fact that had 1,169,000 troops, some six times the size of Frederick the Great armies at their largest. This gave France a strategic advantage over other European states and fomented fundamental change to the tactical methods of the time. See Bobbitt, *The Shield of Achilles*, pp. 146-155. Bobbitt nominates the period 1792 to 1815 as an epochal war. It was during this period that the state-nation — the predecessor to the nation-state that mobilizes a nation, that is, its talent and revenue but does not take direction from it — overwhelmed territorial states. Bobbitt, *The Shield of Achilles*, pp. 120-121. Territorial states that came into prominence after the Peace of Westphalia are ones in which the population identified with, literally the territory of the state. Borders became everything to a state — its legitimacy, defence perimeter and the limits of its tax base.
these regions are highly volatile and dynamic containing its major trading partners and principal ally.

Specifically, I have examined the security landscape of Australia’s key regions: East Asia, Indian Ocean and South Pacific including the power projection capabilities of the major states therein. Most of the security issues within these regions are well known and enduring. They include a cluster of issues relating to the rise of China and its growing assertiveness, tensions on the Korean Peninsular, Middle-East instability, the conflict in Afghanistan that is closely connected to Pakistani instability, global terrorism, WMD proliferation and cyber security.

In relation to market-state evolution, I have concluded that most major East Asian states are seemingly on an evolutionary path to becoming something approaching Bobbitt’s mercantile market-state (see below for definition). This, I show, will exacerbate Australia’s liminal status, that is, its outsider standing with this economically important region. In the longer term, I argue, that potential exists for Australian engagement in a major long-term conflict (Bobbitt’s notion of ‘epochal war’) on the side of the United States against some of these East Asian states.

Chapter 4: Case Studies
I have selected three case studies to demonstrate the strategic modus operandi required by market-states and their armed forces at the strategic level and operational levels to mitigate the security problems of the new era. The lessons highlighted in this chapter are intended to be indicative rather than prescriptive of future courses of action.

For the first case study, I have chosen Australia’s foreign policy approach to bolstering Indonesia’s democratic experiment and its efforts to develop an advanced market-based economy. While this is well short of a deliberate strategy, it has the shape and the nuance required of a market-state strategy. It this case one could suggest that the aim of the Australian government is the preclusion of an adverse future Indonesian state, that is, to prevent its balkanisation with the resulting adverse security outcomes; and prevent the rise of Islamic militancy. For the second case study, I have used the evolving American strategy against al Qaeda to demonstrate the strategic approach required by market-states to ameliorate the systemic threat posed by market-state terrorists. Finally, I have used General
David Petraeus’s conduct of the ‘Battle for Basrah’\textsuperscript{13} during the period of March to April 2008 to demonstrate market-state operational art.

\textit{Chapter 5: An Australian Market-state Defence Policy}

The penultimate chapter represents the synthesis of my key concepts. In addition to outlining an Australian market-state based defence policy, it assesses the ongoing relevance of Australia’s post-World War II grand strategy — as identified by General Peter Cosgrove — and critiques the geographically premised strategy that underpins the 2009 Defence White Paper, highlighting the continuing dissonance between Australia’s officially articulated military strategy and the ADF’s operational reality. In addition, the chapter prioritises threats to Australian security and outlines the concepts that should underwrite market-state efforts to prevail in future conflicts. The discussion on future defence policy includes some observations on possible consequent changes to the ADF’s future force structure and operational mode.

\textit{Chapter 6: Conclusion}

Revisiting the contents of the preceding chapters I make the case for my central argument, Philip Bobbitt’s proposition that the nation-state, that prevailed for most of the last century, is evolving into a new entity — the market-state. The chapter overviews how this evolutionary process has been responsible for the uncertain security environment of the post-Cold War world. This includes the considerable short and long-term security challenges within Australia’s regions. In addition, I recap the evidence for Australia’s progress to market-statehood, demonstrating that the compact that the market-state has with its citizens in relation to their security — so different to that of the nation-state — requires it to have a new strategic approach.

\textsuperscript{13} What I term the ‘Battle for Basra’ is in fact Multi-national Force, Iraq’s response to the adverse consequences of Prime Minister Nuri al-Maliki’s ill-conceived operation ‘Charge of the Knights’ whose aim was to take back control of the southern city of Basra from the Jaysh al Mahdi militia groups and assorted criminal gangs. The conflict spread quickly from Basra to Baghdad and evolved into a battle for the credibility of both the leadership of Nuri al-Maliki and the Iraqi Security Forces.
Terminology

Collective Goods
Things of benefit either to a society as a whole or to the society of states and can include: stable environmental and economic relations, public health and mutual security.

Defence of Australia (DOA)
Strategic paradigm based on the primacy of defending the Australian continent from attack by another state that has dominated Australian defence policy from the end of the Vietnam War to the East Timor intervention of 1999.

Epochal War
A war or series of wars, that challenge the fundamental constitutional structure of the state, ultimately change it by connecting strategic innovations to constitutional ones. Examples of epochal wars include: Thirty Years’ War; wars of the French Revolution; and the ‘Long War’ (1914 to 1990).

Geographic Determinism
Strategic approach that underpins the DOA paradigm, based on the notion that geography is the prime factor in a state’s security circumstances. This has resulted in a rigidity of Australian strategic thought in the face of the rapidly changing geopolitical circumstances that have occurred since the conclusion of the Cold War. It has resulted in a dislocation between Australian diplomatic and defence policies.

Grand Strategy
According to Colin Gray, it is the ‘purposeful employment of all instruments of power available to a security community’. Whereas Basil Liddell Hart defines grand strategy as:

[T]he role of grand strategy – higher strategy – is to co-ordinate and direct all the resources of a nation, or band of nations, towards the attainment of the political object of the war – the goal defined by fundamental policy.

Furthermore, while the horizons of strategy are bounded by the war, grand strategy looks beyond the war to the subsequent peace. It should not only combine the various instruments, but so regulate their use as to avoid damage to the future state of peace – for its security and prosperity.

Thomas Barnett offers a more contemporary and less war-centric definition:

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14 Colin Gray, War, Peace and International Relations - An Introduction to Strategic History, Abingdon and New York: Routledge 2007, p. 283

Ideally, grand strategy is a vision of your preferred future world in terms of its rough structure and governing dynamics (this is how power is distributed and these are the goals that most people/nations are working toward). That future world vision, to be attractive to your own citizens, needs to be one in which your way of life is significantly advantaged, otherwise you won’t attract any popular will for the required effort/sacrifice.  

Using Barnett’s definition as a basis, a market-state of consent definition of grand strategy could be: ‘the purposeful employment of all the resources of a state or band of states to create future world, in which the circle of consent continues to expand, and adverse futures are precluded’. **Liminal Status**

The concept of ‘liminality’ describes Australia’s relationship with East Asia. While Australia is geographically part of the region and benefits from it economically, it is not politically or culturally of it. In essence, Australia is the ‘odd man out’ in much the same way Turkey is in relation to Europe.  

**Market-State**

The state that Philip Bobbitt posits will come to dominate the emerging constitutional order. Its central promise is to maximize the economic opportunity of its people. Market-states tend to privatize many state activities such as the provision of health services, power, public transport, infrastructure construction that makes representative government more responsive to the market. There are three main forms of market-state:

- **Managerial market-state** - A state that seeks its power through hegemony within a regional economic zone, examples being France and Germany within Europe; and Russia within the region occupied by the former Soviet Union. Such a state attempts to maximise its position both absolutely and relatively by regional, formal means.

- **Mercantile market-state** - A state that seeks market share in order to gain relative dominance in the international order, examples being: Japan and South Korea. The mercantile market-state seeks to improve its position vis-à-vis all other states by competitive means. It seeks market-share above all else.

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- **Entrepreneurial market-state** - A state that seeks leadership in the international order through the production and marketing of collective goods wanted by other states. It seeks to improve its absolute position while mitigating the competitive values of the market through cooperative means.\(^{18}\)

**Nation-State**

Within the Bobbitt genealogy of state evolution, it is the form that came to dominate the twentieth century. Its central promise to its people is to improve their material welfare, and during the last century, it developed networks that provided varying degrees of welfare to its people. The nation-state undertook to guide and manage the entire society within its territorial boundaries, for without the effort of all sectors of society, industrial age warfare with its attendant mass casualties could not be waged.\(^{19}\)

**Peace of Paris**

Bobbitt suggests that the Long War officially concluded in November 1990 when the 34 members of the Conference on Security and Cooperation in Europe met in Paris to sign an agreement providing for parliamentary institutions in all the participating states. These states included the Soviet Union, the United States, Britain, France and Germany.\(^{20}\)

**Preclusion**

A market-state strategy based on taking action in the present to prevent a worse future. Essentially, market-states achieve victory in a conflict by not losing. An example of such a victory is the West’s continuing success in preventing al Qaeda from launching a major transnational strategic level attack.\(^{21}\)

**Proto Market-States**

States such as China, India, and Indonesia that remain some distance behind developed states in the evolution to market-statehood. These states have large proportions of their populations living in poverty whose opportunity for economic advancement is not yet maximised and they are still developing the critical mass of information infrastructure required to be classified as market-states.

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19 Bobbitt, *Terror and Consent*, p. 204.
Regionalists

A school of Australian strategic thought, led by Professors Paul Dibb and Hugh White, that argues for the retention of the Defence of Australia paradigm as the basis of Australian defence policy. In recent times, its state-centric, Australian continent focus has increasingly emphasised the stability of the northern near abroad, through which any conventional enemy invasion force must transit. Geographic determinism underpins this strategic approach, that is, nearby security issues are given higher priority than those further away. Foremost is defence of the Australian mainland and offshore territories, while the primary role of the ADF is to defend against conventional attack by another state.

Resilience

Market-states are likely to face a number of threats to their infrastructure, particularly critical information networks, from a range of man-made, as well as natural threats. Resilience refers to both the physical hardening of these networks through using redundancy, firewalls, encryption etc; and fostering the ability of society to recover quickly after an attack or natural disaster. It implies new and expanded roles for market-state defence forces, both domestically and internationally.

States of Consent

In the current era, these states are those who are members of the west-plus group of parliamentary market-states. They can be characterised as having constitutional systems premised on a rule of law that respects human rights. In addition, they provide representative government that governs according to the popular will.22

States of Terror

These states use terror (actual and/or implied) to control their populations and its implied use to deter other states from interfering in their domestic affairs. Examples include North Korea, Iran, and Afghanistan under the Taliban. According to Bobbitt, the war aim of the state of terror is: ‘to bring about an environment in which consensual choices — the selection of representatives and policies in a democracy, the operations of the market, the exercise of religious freedom and other human rights...cannot be maintained.’23


23 Bobbitt, Terror and Consent, p. 204-6.
States – Strong and Weak

I have borrowed the from the Brookings Institute’s Index of Weakness in the Developing World which rates the weakness of 141 states with the developing world. Weak states are: [C]ountries that lack the essential capacity and/or will to fulfil four sets of critical government responsibilities: fostering an environment conducive to sustainable and equitable economic growth; establishing and maintaining legitimate, transparent, and accountable political institutions; securing their populations from violent conflict and controlling their territory; and meeting the basic human needs of their population.24

Strong states, for the sake of this thesis, are those in the developed world that do have the capacity to foster sustainable and equitable economic growth; have legitimate political institutions (in the broadest sense), can secure their citizens (from violent conflict) and control their territory; and meet the basic needs of their citizens. I include China and Russia as strong states despite their relative lack of transparency in their political institutions, and in China’s case, a large proportion of the population in poverty. They both have strong central political institutions that achieve legitimacy through the delivery of high levels of economic growth.

Transnationalists

A school of Australian strategic thought, led by Professor Alan Dupont that posits that the phenomena that comprise globalisation have transformed the international security environment. They advocate the growing diminution of geography as a key determinant of strategy. Australia’s participation in the war in Afghanistan is justified as being necessary to mitigate the threat of transnational terrorism to Australian security. It follows that they argue for an ADF configured for expeditionary warfare rather than defence of the continent.

The Bobbitt Thesis

In The Shield of Achilles, Bobbitt posits that the major driver in the evolution of the state is what he calls epochal war. According to Bobbitt, the latest epochal war, the Long War, commenced in 1914 with World War I, and concluded at the end of the Cold War in 1990. He asserts that the conflict was the inevitable result of a struggle for legitimacy by three constitutional organising modes of the nation-state: parliamentarianism, as typified by the western liberal democracies; communism as exemplified by the Soviet Union and the

People's Republic of China; and fascism as per Nazi Germany, Mussolini's Italy and Hirohito's Japan.  

David Runciman in his review of *The Shield of Achilles* describes this conflict:

> The Long War was fought between the proponents of what were initially three different visions of national welfare – Fascist, Communist and liberal democratic – and then between the champions of the surviving two. When there was only one, it was mistakenly assumed by many that this particular form of the nation-state had triumphed, and history was finally at an end.

Runciman notes that the irony of this victory which was achieved at the end of the Cold War was that the liberal democratic nation-state was subjected to transformative forces and started evolving into something else, the market-state. In fact, five forces were unleashed by the Long War These were: (1) the recognition of human rights as norms requiring adherence in all states; (2) proliferation of nuclear weapons (and other forms of weapons of mass destruction); (3) the spread of transnational threats including those that damage the environment or threaten states such as disease, resource shortages and migration; (4) the growth of a world economic order that ignores borders in the movement of capital, limiting the ability of states to manage their own economies; and (5) the continued growth of a global communications network that renders state borders increasingly porous and threatens national languages, customs and cultures.

The market-state has a different organising rationale to that of the nation-state and thus a very different relationship with its populace. In essence, the market-state has abandoned the attempt to provide welfare to all of it its citizens as self-defeating and instead offers its citizens the best possible opportunity for improving their economic. This in turn means a radically different strategic modality for the market-state. As it offers its citizens less, in terms of material benefits, a market-state, particularly the socially fragmented 'entrepreneurial' form, will find it harder to convince large numbers of its citizens to fight and die on its behalf in wars. In addition, the market-state is unable to countenance the mass casualties that typified the major wars of the nation-state era. Instead, it will continue to seek efficient, low casualty modes of warfare.

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Paul Monk characterises the difference between the two forms of state as follows:

A nation state is a state defined by sovereignty within territorial borders, the defence of those borders by means of deterrence or retaliation for violation of them, and a public policy of large-scale social security for the population within those borders. A market state, by comparison, is defined by constitutional, economic and strategic adaptation to a world in which the claims of human rights, the reach of weapons of mass destruction, the proliferation of transnational threats to security and well-being, and the emergence of global capital markets that ignore borders, curtailing the power of states to control their own economies; while the development of telecommunications networks that likewise ignore borders, serves to undermine national languages, customs, cultures and regimes.  

Forms of Market-State

The market-state’s evolution is not proceeding in a uniform manner. Its final shape is unclear and it likely to co-exist and come into conflict with nation-states for quite some time. The United States and the United Kingdom, probably the two states farthest along the evolutionary pathway, commenced the process in the Thatcher and Reagan eras. They are good pointers to the market-state’s final shape, in particular that of the entrepreneurial form. There are two other likely possibilities, namely mercantile and managerial market-states.

The entrepreneurial market-state is libertarian: it places the individual above the collective. It is highly meritocratic, decentralised and economically evaluates all policy, including defence policy. Governments are less responsible for the direct delivery of many basic services such as public transport, power generation, water supply and healthcare having divested itself of these functions to private enterprise. Local corporations are exposed to the harsh glare of the international market place by the reduction of tariff barriers. The social welfare network has, and continues to be, pared back to a minimal safety net. The power of unions has been systematically reduced by governments so that real wages are lowered in order to increase local industry’s global competitiveness.

The mercantile market-state has a strong central government that protects local industries, it subsidizes research and development and ‘picks winners’, that is, it will favour certain

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industries and corporations. A small number of mega-corporations will come to dominate the domestic economy, and there will be close co-operation between these corporations and the government bureaucracy. In general terms, the mercantile market-state’s fundamental difference to the libertarian entrepreneurial form, is that it favours the collective at the expense of the individual. Examples of states exhibiting characteristics of this form include Japan and South Korea.\(^{31}\)

The ‘managerial’ market-state is characterised by its position within and its fostering of free and open markets in a regional framework. Private property and enterprise is valued but their status with the constitutional framework is dependent on their contributing to the common good. Thus, private enterprise is more constrained than in the entrepreneurial model. The government provides a substantial social security net and maintains a strict monetary policy. It also encourages and subsidises research and development. Workers and their unions remain powerful players in this form of the market-state. Workers have representation in the management structures of local corporations. Examples of states tending to this form include Germany, France and a number of the European Union member states.\(^{32}\)

**An Australian Market-State?**

The case for Australia to be categorised as a market-state is strong. Libertarian and multicultural Australia has embraced globalisation; deregulated its economy, including the curtailment of the power of unions; and like Britain and America, has undertaken major reforms that have stripped away much of its social welfare network. It uses market mechanisms to deliver many of its services such as: economic incentives to encourage its citizens to pursue private health care, grants to assist the purchase of privately owned domestic dwellings; and articulates user-pay principles for tertiary education. It has used market-state principles to reform its military forces so that they too embrace economic efficiency and innovation. Thus, the next step in this evolutionary process is the adoption of a market-state security strategy as the basis of an Australian defence policy. I will explore this notion in depth later in the Theory and Defence Policy chapters.

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\(^{32}\) Bobbitt, *The Shield of Achilles*, pp.672-3.
Central Argument

Realist and liberal theory is increasingly unable to explain satisfactorily the causes of post-Cold War security phenomena and the state’s responses to them. There remains a prevailing strategic uncertainty, fuelled by the forces of globalisation. While we hear much regarding the transnational nature of the modern economic system and are witnessing hitherto unseen levels of state cooperation within the economic sphere; the security ‘problematique’ remains much more contested. To be sure, the challenges to state security posed by internet empowered transnational terrorists, WMD proliferation and more recently, cyber exploitation and attack are each reasonably well understood. However, little has been done to convincingly frame these and other security phenomena within a broad strategic context.

Philip Bobbitt’s work in *The Shield of Achilles: War, Peace and the Course of History* and *Terror and Consent: the Wars for the Twenty-First Century* provide cogent explanation for the current international security environment. In addition, I posit that his work offers the foundations of a broad strategic framework for emerging market-states such as Australia. He explains the current security circumstances within the context of a state evolutionary process. The state that is his key referent in the international environment is a dyadic construct with its constitution as an internal face, while its strategic approach is its external one. The two exist together in a symbiotic relationship—major changes in one forces change in the other. Major changes in the international environment occur through the mechanism of epochal war. Currently, the nation-state’s position of dominance in the international system is being supplanted by the market-state.

According to Bobbitt, the nation-state’s central promise to its people is that it will improve their material welfare. To do this, it undertakes to manage all sectors of society, focusing the efforts of each so as to be able to wage industrial age warfare. In contrast, the forces of globalisation have transformed the nation-state into a market-state that reduced the scope of this promise to maximizing the economic opportunity of its people. It has tended to privatize many state activities such as the provision of health, power, public transport, infrastructure construction; making representative government more responsive to the market. Obviously, this is a lesser promise than that of the nation-state and consequently it has strategic consequences, primarily it does not have the same ability to focus all sectors of its society to wage war. Some of the impacts of this include: smaller professional defence forces replacing
those based on mass conscription; many traditional functions being outsourced to the private sector; there is a greater emphasis on force protection and low casualties; and continuing development of a precision mode of warfare.

Market-states will come in different constitutional forms and this could of itself precipitate conflict between them. During the twentieth century fascist, communist and parliamentarian nation-states fought for dominance of the international order through a series of major and minor wars, which Bobbitt calls the ‘Long War’. Bobbitt posits that the three likely constitutional forms — managerial, mercantile and entrepreneurial — each with distinctly different constitutional and strategic approaches could interact in a manner similar to their nation-state predecessors fomenting a new epochal war.

The Australian state, like most of the developed and developing world including the United States, Germany, Japan, Britain, France, India and China, is evolving into something approaching a market-state. Bobbitt suggests that states with libertarian predilections, such as Australia, United Kingdom and the United States, are likely to evolve into what he calls the ‘entrepreneurial’ market-state, while East Asia is likely to be dominated by states favouring the ‘mercantile’ form. Australia’s security circumstances are already challenging — it is a western state with a dominant Anglo-Celtic heritage located within the southern reaches of East Asia. It depends on the region for its economic health, but continues to hedge against it through its alliance with the United States. It is argued in this thesis that the evolution of the market-state is likely to exacerbate Australia’s ‘otherness’ within the region, and as a result its defence policy should be cognizant of this situation and look to market-state strategies to ameliorate this and other future security threats.

**Major Threats to Australian Security**

In Chapter 3, I will seek to make sense of the seeming myriad of threats to Australian security that have proliferated since the Cold War’s end. It is fair to say that the diversity of threats and consequent expansion of the international security agenda in the last two decades or so have created a systemic strategic uncertainty — a lack of consensus as to the order of threats to global and thus Australian security. I will outline the relationship between Australian historic and current threat perceptions, including discussion on some of the key concerns from the colonial era, which still resonate in the current day.
It is apparent that much of the current debate\textsuperscript{33} can be framed within the context of the old defence shibboleths: forward and continental defence. In essence, should Australia, a medium-sized power, aspire to a wider regional, even a global role, or would it be better off confining its security activities to the maintenance of stability in its near abroad, the so-called ‘arc of instability’?\textsuperscript{34} Put another way: should Australia defend its interests or protect its boundaries?\textsuperscript{35} This strategic dichotomy has plagued Australian defence planners since federation. I posit that Australia’s strategic approach should be based on the later, and argue against the geographic determinism of the former throughout the thesis.

**Australia’s Regions**

Australia’s greater region is the Asia-Pacific, which for the sake of this thesis includes the Indian Ocean Region (including the Middle East), East Asia, which in turn is divided into two distinct sub-regions namely Southeast Asia and Northeast Asia; and the South Pacific. I posit that for the foreseeable future it contains few states that have the means to mount a serious conventional military threat against the Australian mainland. This has been acknowledged in all Defence White Papers since 1976, up to and including the 2009 White Paper — *Defending Australia in the Asia-Pacific Century: Force 2030.*\textsuperscript{36} However, I will demonstrate that in the information age, states have new means of attacking Australian interests and that the region, like the rest of the planet, contains a plethora of non-state threats both actual and potential.

\begin{footnotesize}

\footnotesubscript{34} I refer to the Paul Dibb inspired geographical construct that describes the near region to Australia’s north that includes the Indonesian archipelago, East Timor, Papua New Guinea and the island microstates of the South West Pacific.


\footnotesubscript{36} *Defending Australia in the Asia-Pacific century: Force 2030*, Defence White Paper, pp. 33-40, 49. The White Paper describes the geostrategic landscape of the Asia-Pacific highlighting enduring state and non-state-based issues that could impact on Australian interests. These include: tensions between regional great powers; ongoing conflicts in the Middle East and South Asia; possible hostilities on the Korean Peninsular and the Taiwanese Strait; WMD proliferation, Islamic Terrorism; and the new and evolving security issues - resource security and environmental change. It identifies the rise of China and its ongoing relationship with the United States as probably the most important security issues for the region over the next twenty years.
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In terms of state-based threats, I will focus on those regional states that have the military wherewithal to realistically threaten Australian interests. China, India and possibly North Korea fit into this category with their nuclear and ballistic missile capabilities. China and India also have, and will continue to develop, the maritime capabilities to threaten Australian sea lines of communications (SLOCs) and, potentially, its offshore territories.\textsuperscript{37} The former, according to Paul Monk, is evolving into an authoritarian mercantile market-state, which makes it particularly worthy of detailed study. Japan’s progress, albeit patchy towards becoming a ‘normal’ state; its status as a ‘virtual’ nuclear weapons state;\textsuperscript{38} its real and substantial military maritime capabilities; and its potential to evolve into a mercantilist market-state, also make it worthy of substantive assessment. In addition, I will also briefly overview the Middle East; the ASEAN group of states; and the South Pacific as the loci of non-state security threats.\textsuperscript{39} Given Australia’s history with Indonesia, it will be assessed in detail – showing that it continues to be a source of potential non-state threats.

**Threats: a Market-State Perspective**

The progress of market-states dominance of the international order will be uneven. States of the developed world are farthest along on the evolutionary path, whereas developing states such as China, India and Malaysia, to name but a few are still developing the ‘knowledge-based’ infrastructure that is a required to be classified as fully-fledged market-states.\textsuperscript{40} A third group of states are a considerable distance behind these. Members of this group include many weak, failing and failed states such Papua New Guinea, Somalia, Yemen, Sierra Leone, the Solomon Islands and Palestine. Potentially, these and many other states will be unable to ever make the transition to market-state status and face the dire prospect of being trapped in a

\textsuperscript{37} Both have substantial fleets of submarines and surface combatants; and both are advanced in the development of aircraft carrier capabilities. See Jane's, Sentinel Country Risk Assessments: South Asia and China and Northeast Asia, http://client.janes.com/MyAccount/index?com=displayLibrary&display=4&libId=214

\textsuperscript{38} Paul Monk, 'Chinalco And The Party: Go Figure', *The Australian* (Sydney), 24 February 2009. Building upon Bobbit's work, Monk asserts that China can be defined as an authoritarian market-state – one that seeks the benefits of capitalism without democratic governance.


\textsuperscript{40} Infrastructure includes physical aspects of the IT superstructure, but also and most importantly, intangibles such as world class education systems available to all members of society, solid social institutions including: a competent and impartial judiciary, fair and capable police force; and a clean environment. These are some of the elements a market-state requires to foster opportunity for all elements of the civil society within.
cycle of poverty and conflict. Members of this group would require massive amounts of assistance from the market-states of the developed world over a prolonged period for this to be a realistic prospect. They will have populations gripped with desperation and feelings of envy and injustice, and there will be reactions against modernity, that is, the homogenising forces of globalisation, that is impacting on traditional cultures, customs and language.

Bobbitt suggests in *Terror and Consent* that the west-plus ‘states of consent’ will undertake; ‘[t]hree different but related efforts at prevention and mitigation: an attempt to pre-empt attacks by globally networked terrorists; a struggle to prevent the proliferation of weapons of mass destruction; and the worldwide endeavour to protect civilians from natural catastrophes and non-natural assaults that result in gross diminutions of humane conditions, including human rights.’ In other words, the states of consent (the West plus) will continue to be engaged in a fight against the spread of terror, in the broadest sense of the word, not just terrorists such as al Qaeda.

It will be largely from this latter group of states that the direst shorter-term threats to advanced market-states, including Australia, will come. These include: internecine conflicts, global terrorism, WMD proliferation, organised crime, pandemics and so on. However, I posit, that these states and the threats that will emanate from them are not the main game as they are not likely to threaten the survival of the entire international system. The twentieth century demonstrated that revisionist great powers represent the major threat to global security. While there has not been a large-scale ‘hot’ conflict between major states since World War II, one must remember that of the virtual or cold status of the war between the USSR and the United States was sustained by the ever-present threat of mutually assured nuclear devastation. Likewise, the world has seen numerous periods of long peace between the major states. The Concert of Europe lasted almost 40 years — from 1815 until the

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41 Bobbitt, *Terror and Consent*, pp. 3, 13. Bobbitt posits that we will see the continued evolution of entrepreneurial, managerial and mercantile market-states of consent, along with their antithesis: market-states of terror. He defines the states of consent as member states of ‘the West’, ‘...broadly defined to include democratic states like Australia, Japan, Indonesia, Singapore, South Korea, South Africa and India...’. North Korea, on the other hand, qualifies as a state of terror. The government uses terror against its own citizens to enforce its version of Marxism and the threat of terror against neighbouring states via the development of ballistic missile and WMD technology. Myanmar is another example of a state of terror. Al Qaeda has a vision of forming a market-state of terror — it seeks a global caliphate with a constitutional order based on a strict interpretation of Sharia law like Afghanistan experienced under the rule of the Taliban. Such a state would use terror to control its population and enforce Sharia law and, suggests Bobbitt, to frighten away other states from interfering in its internal affairs.
Crimean War that commenced in 1854. The jury is still very much out regarding the long-term prospects of a sustained peace between states in the new era.

In the longer term, given that the three distinct forms of the market-state: entrepreneurial, mercantile and managerial, are all viable organising rationales for the market-state, there is the prospect for an epochal war or conflict over legitimacy — in much the same way communism, fascism and parliamentarianism battled throughout the twentieth century.

Individual conflicts or lesser wars within a market-state epochal war are likely to cover a broad spectrum of possibilities. Some may have an overtly military nature, characterised by large-scale conventional or even nuclear engagements. Certainly, this is possible in future conflicts between Pakistan and India; China and America over Taiwanese independence; and the two Koreas. In other wars, military force will not be the ultimate expression of conflict as it is potentially too damaging to the critical infrastructure of the market-state. Military conflict could be confined to the destruction of the enemy state’s military capability — a war of intelligent machines and human puppet masters, played out in locations removed from population centres. Economic warfare is possible and is likely to be similar to the trade wars of today but on a vastly larger scale. It is also likely that market-states will rely on one or more of a number covert means or warfare currently in their embryonic stage. These could include cyber conflict, including espionage, which is developing as a major Area of contention between major and lesser powers. A plethora of deadly new possibilities involving nanotechnology and a new generation of biological weapons can readily be envisaged.42

Market-State Strategy

In the first half of the Long War nation-state strategy, particularly in relation to war against other states and sometimes non-state enemies, was based on an industrial mode of warfare, characterised by the use of massed forces — usually generated and sustained by conscription. It also came to feature the application of overwhelming and often imprecise firepower to inflict high levels of attrition against both an opponent’s military forces and civilian populations. In conflicts between nation-states, victory was usually achieved when an enemy’s armed forces were totally defeated and their homeland occupied.

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The advent of nuclear weapons brought a new security paradigm into being; with conventional military forces relegated to a subsidiary role in strategic thought. Strategies of limited conventional war and nuclear deterrence evolved. One can make a strong argument that from the end of World War II to the end of the Cold War this strategic approach was largely successful — direct military confrontation between the super powers was avoided.

The end of Cold War brought the nation-state certainties of a bi-polar world order to an abrupt end, and strategic uncertainty grew. New market-state notions of ‘transparent’ sovereignty bloomed and military intervention when a state abrogated its responsibilities to its civil population gained currency. While the notion of deterrence based on nuclear and/or conventional forces remains very relevant in inter-state relations, it has only limited utility against the array of failed state, sub-state and non-state protagonists that are now included within the international security agenda. In the aftermath of 11 September 2001, the United States embraced strategic concepts based on preventative war and pre-emption.

In addition, states are being confronted by a change in the very nature of war or conflict. This is being fuelled by a number of developments, including: a ‘revolution in military affairs’ — based on advances in communications and computing, and aided by the diffusion of military hardware, demassification of military force, commodification of WMDs, and the development of increasingly sophisticated asymmetric warfare strategies.

The strategic tools market-states will have at their disposal include: (1) a range of military capabilities based on technology that is the fruit of the computer/information technology revolution — the so-called revolution in military affairs (RMA); (2) new strategic patterns of cooperation with other states and agencies, including ad hoc coalitions of the willing; (3)

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43 Michael Horowitz, What is a Revolution in Military Affairs? Why should we care?, paper for American Political Science Association Annual Meeting September 2004, http://www.allacademic.com/meta/p_mla_apa_research_citation/06/06/06/pages60064/p60064-5.php, [Accessed 2 Jan 2010], pp. 2, 5. Horowitz notes that an RMA is a combination of new technology and organisation change that changes the warfighting paradigm — increasing the breadth of what is possible for states. He notes that there is much debate about whether an RMA is actually underway or not. I argue for the affirmative with the caveat that it is far from complete. The first major change as I have noted previously is the move to a precision mode of warfare by developed states.

44 Bobbitt, Terror and Consent, pp 107- 117. Bobbitt details the story of Dr Abdul Qadeer Khan, a Pakistani metallurgist who was at the centre of a global nuclear black market from 1976 to 2004 to underpin the claim that in the future market-states will have to confront an active market in WMD.
greater emphasis on covert operations; and (4) a range of market-based options that may or may not include the use of force.

The first category relates to technologies that facilitate a precision modality of warfare designed to reduce casualties as opposed to the mass firepower tactics that characterised nation-state warfare; and greater transparency of the battlefield. This applies to both conventional and unconventional warfare. The second category represents a departure from the nation-state’s reliance on formal alliance structures to counter strategic problems. Alliances still have their place in market-state strategy but will have to be transformed to reflect the new international realities. They will need broader terms of reference and faster, more efficient modes of decision-making. Alliances will be augmented by flexible ‘coalitions of the willing’, assembled for specific strategic tasks and dissolved when the task has been completed.

In relation to the third category, market-states have many more covert tools to obtain information and intelligence from their adversaries. To be sure, human-based espionage activities will remain but will be increasingly augmented by satellite-based intelligence gathering, surveillance and reconnaissance; signal intelligence gathering and cyber espionage by more and more states. Military action, when required, will be Special Forces-based with large-scale use of ‘line’ or conventional units occurring only in the last resort.

The final category relates to non-military means of achieving military objects which could range from economic sanctions to psychological operations targeting the civilian population of a state in an effort to sway its public’s opinion against its government’s proposed course of action to bribing a regime not to acquire nuclear weapons to purchasing and then destroying the nuclear weapons of a state. We have witnessed, in the last decade or so, examples of each of each of these market-state tactics.45

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45 The United States used information warfare techniques to inform the Iraqi people and the army that the coalition’s aim was to rid, they, the Iraqi of the Saddam Hussein regime. This was demonstrated by the so-called ‘decapitation’ strikes targeting key figures of the Saddam Hussein regime. The strikes were unsuccessful but were well publicised in the global media to reinforce the message that the American’s war was with Saddam not his people. The Clinton Administration led efforts to bribe North Korea i.e. to not manufacture nuclear weapons in exchange for energy resources including the promise of light-water nuclear reactors for power generation. The US initiated a program to purchase old Russian nuclear weapons and then destroy them shortly after the end of the Cold War.
A Market-State Defence Policy for Australia

My fundamental proposition is that Australia is evolving into a market-state with predominantly entrepreneurial characteristics as is its traditional allies, the United States and United Kingdom. Entrepreneurial states have a distinct strategic approach, namely, they attempt to improve their absolute position within the international order while mitigating the competitive values of the market by cooperative means. They seek leadership within the international system by producing collective goods that other states want.

How does this approach correlate with Australia’s nation-state strategic approach? Australia does not have a formally articulated grand strategy per se. However, I posit, geopolitical circumstances have fashioned an Australian grand strategic approach. Australia is a western liberal democracy with a strongly vested interest in the continued domination of the international system by western notions of governance, economics and, sovereignty. Isolated from its European roots, it is an advanced maritime state with a relatively small population that require access to world markets for continued economic prosperity. This access is via extended and vulnerable sea-lanes of communications.

In response to these strategic circumstances, Australia has regularly sided with like-minded allied states to maintain a favourable global order. Throughout its white history, it has sought the succour and protection of a ‘great and powerful friend’ — the pre-eminent maritime power of the day. Since the middle stages of World War II, the United States has underwritten Australia’s security as ultimate guarantor. This has expression in the ANZUS alliance, which is still considered to be Australia’s major strategic asset.

Will this approach and the ANZUS alliance remain relevant in the market-state era? I address this in detail in Chapter 2. The United States wishes to retain its position of global leadership

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46 Grand Strategy being defined here is the suite of national assets including physical, cultural, historical and intellectual that both inform and shape a state’s engagement with the world so as to secure its long term survival and advance its broad array of interests. A grand strategy then should deliver to a state freedom of action and a range of political choices and options that will enable it to pursue its legitimate sovereign interests and the maintenance of long term economic prosperity within the international system. Peter Cosgrove, ‘A Perspective on Australian Grand Strategy’, in Australian Army Journal, Vol III, no. 1., Summer, 2005-6, Land Warfare Studies Centre, Canberra, 2006, pp. 17-18.


and will continue to provide collective goods such continued provision of extended nuclear deterrence; favourable access into its domestic market to other states; use of its large conventional forces to underpin global stability; and humanitarian assistance missions. Australia assiduously maintains close relations with the United States and regularly supports it in its provision of collective goods including contributions to American-led military missions. Given the likely trajectory of its regional strategic circumstances, Australia will almost certainly continue to pursue this approach for the foreseeable future. However, entrepreneurial market-states are likely to be more capricious in their interactions with other states; as the junior partner in the alliance it will have to work hard and perhaps have to contribute more to maintain its relevance to the United States in the market-state era.

Australia will remain a middle power for the foreseeable future and thus the scope of its ambitions will be much more circumscribed than those of America. It will continue to seek influence in its near region through the provision of collective goods, such as aid to strategically important states like Indonesia; humanitarian assistance in the event of natural disasters — an activity the ADF is well equipped to undertake; and, contribution to stabilisation missions within Southeast Asia and the South Pacific, and beyond when considered important to broader Asia-Pacific or even global security.49

Other themes to be explored in Chapter 3 will include: strategy based on market-state notions of preclusion and resilience, ADF force structure and operational methodology and cyber warfare.

Conclusion

I will demonstrate the veracity of Philip Bobbitt’s theory of state evolution showing its relevance to Australia’s current and future security circumstances. I will discuss Australia’s geopolitical circumstances both from a conventional realist perspective and through a market-state prism. I will overview the elements of Australia’s grand strategic approach, including the American alliance, showing its basic compatibility with entrepreneurial market-state

49 Defending Australia in the Asia-Pacific century: Force 2030, pp. 53-7. Chapter 7: ‘Principal Tasks for the ADF’ clearly articulates this approach. There remains strong overtones of geographic determinism in its discussion of Australia’s ‘strategic geography’ but the chapter and the one preceding do imply far greater strategic flexibility for Australia in protecting its interests.
strategic principles. I will show that an Australian defence policy informed by market-state concepts protecting Australian interests rather than geographic determinism is critical to future security. I will demonstrate that Australia's defence policy should be based on the concepts of preclusion, vulnerability and resilience. In the next few decades it should consider a raft of state and non-state based threats including, but not limited to: asymmetric and symmetric warfare, environmental disasters, cyber warfare, global terrorism, WMD proliferation, economic and biological warfare.

I will show that in the longer term, the security challenges of an Australian entrepreneurial market-state could include conflict with the mercantile market-states that are likely to dominate the East Asian region. In the worst case, this could be part of a broader epochal war in which the United States is likely to be a key protagonist. Future conflict between great power market-states has the potential to be more devastating than the major conflicts of the Long War. On the other hand, casualties could be much less than those of the great industrial wars but damage to critical infrastructure could be more economically costly. History suggests that Australia will play a proactive role in any such future conflict.

Consequently, I argue that the ADF will have to be constantly poised to master different new roles and forms of military operation. We have seen this in the last decade or so with the ADF systematically adopting new core activities such as: humanitarian assistance and disaster response (HADR); mitigation of domestic terrorist incidents, including the possible impact of WMDs.; and border protection in the form of interception and impounding of shipping. In addition, it will continue to become more economically accountable.

Supporting my proposition above is the fact that the ADF has already acknowledged the need for constant innovation and change, articulating many of the above concepts in its doctrine and the curricular of its key academic institutions: Australian Command and Staff College (ACSC) and the Centre for Defence and Strategic Studies (CDSS).

It continues to formulate a military strategy based on information warfare principles rather than the

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50 The author has worked as a member of both institutions and is deeply familiar with their curricular. Both institutions are future-focused and are attempting to groom their students for the increasingly complex exigencies of future warfare.

51 Information Warfare has been the ADF’s approach to warfighting since the late 1990s. The rationale and methodologies associated with are articulated throughout its doctrine. This includes Army’s keynote
strategy and tactics of mass that characterised the conflicts of the Long War. Australia’s future defence policy must equip the ADF with the platforms, people and most importantly, the intellectual underpinning to complete its transition into a market-state military.
Chapter 2
Market-State Theory and Australian Security

In this chapter, I will demonstrate the veracity of my central argument in relation to Australia’s current and future ‘security problematique’. My focus will be on Bobbitt’s proposition that nation-states are evolving into what he calls ‘market-states’. This will be followed by a discussion on the forces responsible (and the new threats they have spawned) for this mutation, and the inherent incapacity of nation-states to respond. I will then demonstrate that Australia, like the United States and many other developed and developing states, is evolving into a market-state. This is followed by discussion on the relationship the market-state has with its citizens and the consequences for Australian security. Next, I will examine Bobbitt’s recent update to his market-state proposition, that is, the notion that ‘market-states of consent’ are in a far-reaching and long-term conflict against terror.

Market-states are likely to evolve into different constitutional forms. The consequences could be far-reaching, potentially as catastrophic as the Long War of the nation-state era, in which democratic, fascist or communist states fought for constitutional dominance of the international system. I will discuss the nature of these market-state forms with a focus on select states within the Asia-Pacific region. This will lead to an assessment of the potential security challenges for an Australian market-state from both regional and global perspectives.

I will test Bobbitt’s market-state proposition via realist and liberal critiques. This will include an assessment of the impact of the global financial crisis. I will also assess the consequences of market-state evolution on Australia’s grand strategy, including the ongoing utility of the Australian – American alliance. Finally, I will outline the way forward for development of a market-state defence policy for Australia.

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1 The developed states of the West plus that can be broadly defined as democratic.

2 The wars against terror (not terrorism) are not about the conquest and occupation of enemy states or the suppression any particular ideology such as Islamism, rather their objective is the sustainment a global environment in which states of consent can survive and efforts by our enemies such as al Qaeda to establish states of terror are thwarted. Bobbitt nominates three different but related general activities: the prevention and mitigation of attacks by globally network terrorists such as al Qaeda; prevention of the proliferation of weapons of mass destruction; and a general endeavour to protect civilians from natural disasters and non-natural attacks that result in a major diminution of the human condition. See Bobbitt, *Terror and Consent*, p. 3.
There is little doubt that since the conclusion of the Cold War that the society of states has and continues to undergo major transformation. Globalisation, climate change, regionalisation, the growth of an international human rights regime, the rise of India and China, and the expansion of the European Union (EU) are but some of the major forces at work. The result is a redistribution of global power. Firstly, between states, as China, India, Russia and Brazil seek greater influence commensurate with their economic success of recent years; and secondly, away from states toward a range of non-state actors. With these developments has come, albeit slowly, a realization that the concept of national security, that was so narrowly conceptualized during the Cold War, has been broadened. States' security agendas have dramatically expanded to include a diverse array of new security issues, including militant Islam, globalised terrorism, WMD and conventional weapons proliferation, illegal migration, cyber exploitation and attack, resource shortages, and environmental degradation. Consequently, there is considerable strategic uncertainty.

Rod Lyon posits that there are four futures vying for primacy as a strategic world-view. These are an optimistic grouping whose members include Francis Fukuyama and John Mueller, who claim that things will get better. Their central argument was based on the seeming triumph of liberal democracy in the post-Cold War world, a claim that has become increasingly tarnished. Second, there is a pessimistic grouping whose members include Samuel Huntington and Robert Kaplan who claim things will get worse as a result of a looming chaos, clash of civilisations, resource shortages etc. The third group claims that things are the same as before September 11, that is, the main game remains the relations between states. This group includes Kenneth Waltz and John Mearsheimer. Finally, a fourth group describes a ‘Medieval-like landscape’ in which military force will no longer be the

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3 In the fullest sense of the word – see David Held and Anthony McGrew, ‘The Great Globalization Debate’ in *The Global Transformation Reader*, Polity Press, Cambridge, 2000, pp. 2-4. They note that globalization has a material aspect for example trade and capital flows, as well as people movement across borders throughout the globe. And it has a symbolic aspect for instance, the development of English as the lingua franca. These together set the conditions for a growing inter-connectiveness. They note that there is ‘...a growing intensity magnitude or global flows such that states and societies become increasingly enmeshed in worldwide systems and networks of interaction. As a consequence, distant occurrences and developments can come to have serious domestic impacts while local happenings can engender significant global repercussions.’

4 Actors such as: international terrorist organisations such as al Qaeda and Jemaah Islamiyah; a range of NGOs including Amnesty International, Red Cross and World Wildlife Fund; regional organisations such as the EU and ASEAN; and international criminal cartels.
preserve of the state and that main dangers to international security will come from weak rather than strong states. A leading proponent of this view is Martin Van Creveld.⁵

Perhaps the most evocative alternative explanation for the current uncertainty in the international system and its future direction is that of Philip Bobbitt. In his seminal work, The Shield of Achilles, he details a theory of international relations based on the Darwinian-like strategic competition between states that results in revolutions in not only military affairs but also constitutional ones. Bobbitt describes what he calls epochal wars, which are ‘... those wars are fought over constitutional issues and end only when the underlying constitutional issues are resolved by the triumph of one kind of state over others.’ This results in international treaties which then generalise a new constitutional paradigm, that is, an agreement between states, ‘... as to what they themselves are, and how they shall behave in regard to one another.’⁶ In relation to the nation-state, that has recently dominated the international order, he says:

The State has always depended on getting people to risk their lives for it. Each constitutional order found a way to do this. The nation-state persuaded people that a state whose mission was the improvement of their own welfare provided a valid justification for enduring personal jeopardy. If such a state is no longer able to enforce and sustain national cultural values...its claim on the sacrifice of its citizens weakens. Indeed the new cultural values, precisely because they are so fragmented and promote such individuation, are not readily suitable to promotion by the State (nation), which is too clumsy and moves too slowly and with too little discernment to shore them up.⁷

He identifies five developments that threaten the nation-state’s standing. The first is widespread recognition of human rights as norms to which all states must abide. Second, proliferation of nuclear weapons and other weapons of mass destruction that has the effect of rendering state borders irrelevant in relation to the protection of the society contained within. Third, proliferation of global and transnational threats that transcend state borders. Fourth, the growth of a world economic regime that ignores borders in the movement of capital that effectively curtails states’ ability to manage their economic affairs. The final threat to the nation-state is the creation of a global communications network that penetrates state borders

⁵ Lyons, Alliance Unleashed, p. 16.
⁷ Bobbitt, The Shield of Achilles, p. 470.
and threatens their national languages, customs and cultures. A consequence of the above developments will be a new constitutional order that is reflective of them.\textsuperscript{8}

Within this new order, Bobbitt predicts that the nation-state will mutate into a new form, which he calls the market-state. In 2001, he identified the United States and the United Kingdom as proto-market-states – that are well advanced on the evolutionary pathway. I posit that Australia too, is evolving into a market-state.

In our own era, we are witnessing the emergence of the market-state and the shift to that form from the constitutional order of the nation-state that has dominated the twentieth century... The market-state is a constitutional adaptation to the end of the Long War and to the revolutions in computation, communications, and weapons of mass destruction that brought about that end. As the Long War made abundantly clear, the conception and production of the most qualitatively superior forces required not merely an industrial society but a creative society, with the capital to exploit that creativity. Now that creativity has turned against the nation-state itself.\textsuperscript{9}

What does this mean for Australia’s premier security agreement; the Australian, New Zealand and United States alliance (ANZUS)? Will it remain relevant by evolving to accommodate new strategic realities? Successive Australian leaders, both Labor and Liberal, have acknowledged its fundamental importance to Australian national security. The 2009 Defence White Paper re-emphasized its strategic worth. To be sure, it is likely that Australian leaders will continue to work assiduously into the foreseeable future to ensure its relevancy. In addition, Australia’s regional status, discussed fully in Chapter 3 and addressed later in this chapter, is likely to remain ‘liminal’\textsuperscript{10} and thus a hedge strategy of a close relationship with the Asia-Pacific’s pre-eminent power is likely to be an enduring security need for an Australian market-state.

Underpinning Bobbitt’s ideas are a number of essentially realist conceptions but not the realist conceptions of the nation-state era.\textsuperscript{11} The state remains the key referent within an

\textsuperscript{8} Bobbitt, \textit{The Shield of Achilles}, p. xxii.

\textsuperscript{9} Bobbitt, \textit{The Shield of Achilles}, pp. 228-9.

\textsuperscript{10} Michael Evans, \textit{The Tyranny of Dissonance: Australia’s Strategic Culture and Way of War, 1901 – 2005}, The Land Warfare Studies Centre, Canberra, 2005, pp. 25 – 29. Evans describes ‘liminality’ in the Australian context as being geographically part of a region but not politically or culturally of it. Australia is the odd man out in Southeast Asia in much the same way Turkey is in Europe.

\textsuperscript{11} Bobbitt, \textit{Terror and Consent}, p. 486. Bobbitt is in fact quite derogatory towards realism, in particular structural realism describing it as ‘... the intellectual dogma in international relations known as “Realism” arose in the twentieth century, that is, the period of dominance of nation-states.’
international order that is essentially anarchical in nature. Mostly, states focus on self-help measures to ensure their immediate security and long-term survival. Military strength still underwrites a state’s position of power in the international order; and remains important in ensuring a state’s long-term survival. However, Bobbitt’s theory provides temporal depth to realist theory by demonstrating an evolutionary process; a mechanism for state transformation that in turn provides predictive tools for the future shape of the state and the international order.

Australian academic Paul Monk, who has taken up the task of testing Bobbitt’s theoretical framework, suggests that:

[w]e need to overhaul the constitutional order of the nation-state and its assumptions about international security, especially collective security, developing new legal and strategic frameworks for self-defence against terrorism – such as shared intelligence, shared surveillance information, new technologies for security such as nanosensors, cyber defences and missile defences, revised approaches to critical infrastructure security and civil defence emergency procedures in the event of cyber attacks or biological warfare attacks, new international covenants regarding extradition, pre-emption and non-proliferation – so that nation-states in the process of losing their grip and mutating into market-states might not only defeat international terrorism, but avoid the kind of peer competition that could plunge mutating states into cataclysmic great power conflict of novel and terrifying kinds.\(^{12}\)

How does one resolve Bobbitt’s concept of the market-state with the two schools of Australian strategic thought introduced in the previous chapter, that is, regionalism and transnationalism? I would argue that both are, to varying degrees, at odds and in harmony with a market-state strategic approach. However, I will show that regionalism is fatally flawed. It is a creature of the nation-state era, based on a narrow geographic determinism. Transnationalism is perhaps too focused on the short-term threats of global terrorism at the expense of future conflict between strong states. As noted above, Bobbitt is fundamentally a realist and the state is his key referent. In the long term, states remain the major threat to other states and peace within the international order. On this key point he is at one with regionalism and at odds with a key plank of transnationalism, that is, strong states are not a threat to Australian security. Critically however, he argues in *Terror and Consent* that globalisation has broadened and spawned an array of major and potentially existential threats to strong states, which is alignment with transnationalism. Many of these threats are not

ameliorated by geography as they once were and usually require a global response. Today, non-state actors, the emergence of market-states terrorists (al Qaeda being the first of these), global pandemics and environmental degradation represent major threats to the entire international order.  

Market-states will have different forms in much the same way that most nation-states were categorized as communist, fascist or parliamentarian during the Long War. In time, these different forms of the market-states could vie for international dominance leading to new and novel forms of conflict and perhaps a new epochal war. Thus a transnational security approach that premised on the notion that strong states no longer threaten other strong states, while probably true in the short- to medium-term, misses the long-term point.

Is there a traditional Australian grand strategy and will it evolve to meet the realities of an international order dominated by Bobbitt’s market-states? In relation to the first part of the question, General Peter Cosgrove argues that one has existed since Federation. He suggests that white colonial Australia’s reliance on maritime trade has meant that it has had an outward focus and a major stake in systemic stability. For its ongoing economic well-being, it needs access to a variety of far-flung markets. Moreover, given its European origins and parliamentary mode of governance it has an obvious vested interest in an international order in which western democratic states dominate.

Since Federation, Australia has relied on the pre-eminent maritime power of the day, previously Britain and currently the United States, to underwrite its national security. Governments of both persuasions have been prepared to pay a premium for this security by supporting British and American military campaigns within the Asia-Pacific and without, when the conflict has been perceived as a systemic threat as was the case with World Wars I

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13 A virtual market-state has many of the features of a state without occupying territory with internationally recognized borders. Its governing authority is not recognized by the United Nations or real states and therefore is not a sovereign entity. Nonetheless, it has crude/nascent institutions that perform the functions of government, armed forces, a legal system, treasury, rudimentary welfare system. Al Qaeda may qualify as a virtual market-state having many of the features described above and in addition, is totally attuned to the possibilities of the information age — most notably its use of the Internet for funding, recruiting and communicating.

14 Cosgrove, *A Perspective on Australian Grand Strategy*, pp.19-21, Cosgrove notes Australia’s maritime status, its stake in a stable world political order and the utility of an interests based approach to defence not contingent on geography. He also notes the lessening importance of geography in the wake of increasing globalization.
and II and the Cold War. The viability of this strategic approach within the market-state era will be demonstrated later.

Finally, the defence force of an Australia market-state can expect ongoing pressure from government to increase efficiency and economy in all aspects of its operations. It is likely that it will also need to constantly reconfigure and develop new capabilities to meet the requirements of radically new and very different forms of threat to state security. Likewise, the ADF can expect that its current tempo of operations will continue well into the future. The acquisition of precision weapon systems; offensive and defensive cyber war capabilities; enhanced expeditionary capabilities and technologies to enhance its situational awareness as well as networking between all elements of its forces; and enhanced physical protection for its members will continue unabated to meet the operational requirements of the information age.

In this remainder of this chapter, I will show that a theoretical approach based on Bobbitt’s market-state theory provides the most appropriate theoretical underpinning for Australia’s future defence policy.

**Market-State Theory**

According to Bobbitt, the latest epochal war, the ‘Long War’, commenced in 1914 with the First World War, continued through the Second World War and concluded at the end of the Cold War in 1990.\(^{15}\) He asserts that the Long War, like the epochal wars preceding it, was the result of a struggle for constitutional legitimacy by great powers of the three different forms of nation-state. He identifies these as parliamentary states, primarily the western democracies; communist states, represented by the Soviet Union and China; and fascist states that included Hitler’s Germany, Mussolini’s Italy and Hirohito’s Japan.

That form of state, the nation state, was based on defence of territorial borders through maintenance of mostly conscript armies ready to defend those borders or

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\(^{15}\) An epochal war is essentially an aggregation of lesser wars and conflicts that challenges and ultimately changes the international order. It forces states to evolve to survive, that is, change their basic constitutional structure by linking strategy to constitutional innovation. According to Bobbitt, previous epochal wars were Habsburg-Valois Wars 1515 to 1555 (princely state); Thirty years’ War 1618-1648 (kingly state); Wars of Louis XIV 1667 to 1713 (territorial state); Wars of the French Revolution 1792 to 1815 (state-nation); and The Long War 1914 to 1990 (nation-state). Each epochal war brought a new constitutional order to primacy, that is, territorial state, state-nation etc.
retaliate against aggression; largely domestic industrial production and consumption; and large-scale social welfare guarantees for the population. A nation-state is, in essence, an entity in which the machinery of the state is subordinated to the nation or nations within its territorial borders. The nation-state provides, 'social security, free public education, universal suffrage and redistributive taxation, seeking its legitimacy in the bettering of the welfare of its people.' Each constitutional form of nation-state had its corresponding ideology, which explained how the state would better the nation and thus, setting standards by which it would judged. The parliamentary nation-state's legitimating premise was that it was subject to the will of the people — expressed at free, fair and open elections, conducted on a regular basis. A government's success at providing for the betterment of the people was therefore judged. Likewise, this constitutional form required government compliance with its own laws and impartiality in administering them. The premise of fascism was that the state served a pre-eminent ethnic nation. It exalted and intensified the unique cultural and ethnic aspects of the society it sought to govern. Unlike, parliamentarianism there is no recourse to free and fair elections. In the cases of Germany, Italy and Japan, their initially successful attacks on pre-existing empires vindicated the autocratic regimes' claims to legitimacy. Communism's legitimising premise was that the state would improve the welfare of its people by control the means of production. Effectively all citizens become employees of the state, which set out economic goals to increase productivity in order to improve living standards. Each of these competing ideologies offered equally plausible claims for legitimacy. Bobbitt states that, 'Only the complete collapse of actual states, the embodiment of these competing ideas, would answer these questions definitively.' According to him, the Long War was inevitable. It was a conflict in which nation-state competing alternatives (to liberal democracy as it turned out) were to be thoroughly and utterly discredited in the eyes of both their people and the world.

The Long War unleashed five forces with major strategic consequences: (1) the recognition of human rights as norms requiring adherence in all states; (2) proliferation of nuclear weapons (and other forms of weapons of mass destruction); (3) the spread of transnational threats including those that damage the environment or threaten states such as disease,


resource shortages and migration; (4) the growth of a world economic order that ignores borders in the movement of capital, limiting the ability of states to manage their own economies; and (5) the continued growth of a global communications network that renders state borders increasingly porous and threatens national languages, customs and cultures. Each of these has caused dramatic change in the economic, cultural and military challenges facing the nation-state.¹⁹

The market-state is a constitutional adaptation to the end of the Long War, being better able to cope with these demands by redefining the fundamental legitimising compact with its citizens.²⁰ It is characterised by its dependence on the international capital markets (and to a lesser degree, the modern multi-national business network) to create stability in the world economy, in preference to national or transnational political bodies. In addition, it has a very different relationship with its populace. It no longer makes the promise of improving the lot of its citizens, as did the nation-state, with its elaborate state-based social welfare networks. Rather, it promises economic opportunity for all, while continuing to extricate itself from the provision of welfare to all but the neediest of its citizens. The market-state is meritocratic and provides a sound environment for multi-ethnic society. The media pervades almost all aspects of life, giving much greater transparency into the actions of government and other civil institutions than ever before. This in turn makes it more difficult for its leaders to govern. Individuality is prized almost above all else and people are treated more as consumers than citizens.

The market state is not a prescription for a state beholden to free markets. It is a description of the kind of state that is required in order to govern amid the global forces that were unleashed in the late twentieth century and are gathering momentum now. It denotes a shift in the constitutional and strategic posture of the state, as it functioned throughout much of the twentieth century.²¹

The relationship between the government and the people of a market-state are likely to be very different; it will be both more and less difficult than that which exists between citizens and governments of nation-states. On one hand, less will be demanded of a market-state


²⁰ Bobbitt, *The Shield of Achilles*, pp. 215-6. The territorial state added the promise of expanding material wealth to which the state-nation added the civil and political rights of popular sovereignty.

government, on the other, governance is likely to be more difficult as the habits of being a good citizen will be lost. Governments will no longer be able to rely on its citizens to undertake public service so readily for less financial reward than that offered by the private sector, and will find it much more difficult to foster self-sacrifice in the form of increased taxes or military service in the event of a national crisis.\textsuperscript{22}

Bobbitt identifies three paradoxes that neatly summarise the key characteristics of the market-state. First, market-states will require more centralised authority for their governments but will be weaker both within their territories and relative to the some of the other actors in the international order. In relation to the former, states are greatly contracting the scope of their undertakings. They have devolved or lost authority to other institutions, including deregulated corporations that are in but not of the state; NGOs such as the Red Cross that are in the market, but not of it; and clandestine military networks and terrorist groups such as al Qaeda and Hezbollah, which have set up proto-markets in security and function as proto-states at war. Second, there will be increased public participation in government but it will count for less, with the role of the citizen becoming more akin to that of a spectator. However polling, which is already extensive in western states, is likely to become even more prevalent as governments will regularly want to assess ‘the public temperature’ on critical issues. Likewise, government media campaigns, already a significant feature of government interaction with the public, are likely to increase in number and expand in scope as they attempt to maintain a dialogue with the polity as well as shape and mould public opinion to support desired courses of action. Finally, the social security net will continue to be reduced but infrastructure and agencies devoted to security agencies, epidemiological surveillance, cyber security and environmental protection are likely to become matters of general welfare and will be promoted as never before. Given the economic meltdown of 2008, I would add, a financial regulatory framework that both prevents the excesses of the 2000s while continuing to foster international market competition. In addition, the ‘software of the state’, that is, its health and education systems, and its various infrastructure elements will still be required to be maintained and developed if individual states are to remain competitive as well as attractive to foreign corporations and skilled immigrants.\textsuperscript{23}

\textsuperscript{22} Bobbitt, \textit{The Shield of Achilles}, pp. 228-31.

\textsuperscript{23} Bobbitt, \textit{The Shield of Achilles}, p. 234.
For what then will market-state governments take direct responsibility? Security of society including the economy will continue to be governments’ primary security concern.24 Governments will be expected to control environmental issues, that is, manage the environment within their respective states and negotiate with other governments regarding systemic issues such as the environmental degradation. In addition, there will be societal expectation of mitigation of illegal migration, pandemic disease, terrorism and espionage — as the market is ill-suited to undertake this. In many circumstances, successful mitigation of these complex issues will depend on governments’ control of information and maintenance of secrecy. In many cases, there will be a need for secret dialogue between the governments of states and potentially, non-state actors. Consequently, Bobbitt predicts, that government transparency and public knowledge will be regularly sacrificed.25

As noted above, Bobbitt identifies the United States and United Kingdom as being the most evolved market-states. Both rely heavily on the market to deliver many of what were government services, including public transport, power generation and water supply. Both have wound back their social welfare networks, opened their economies to the rigors of international competition, and continued to de-regulate their financial sectors. In addition, their military forces rely on private contractors to supplement or provide many of their capabilities including large proportions of training, logistics and administrative functions.26

An Australian Market-State
I posit that Australia too, is well on the evolutionary path to market-statehood. Australians have witnessed governments of both political persuasions undertake similar economic and social reforms as those described above, including the reduction of tariff barriers, winding back of social welfare, curtailment of union power and the deregulation of the financial sector to allow greater competition (including from foreign financial institutions). The ADF too, has been subject to market-based reforms so that it is increasingly financially accountable and

24 As the events of late 2008 show, the state remains pivotal to the viability of the world economy. A number of the major states in effect nationalized, albeit in a globally coordinated manner, major sections of the world’s financial markets.
26 The CIA Factbook notes that in the last two years the UK has wound back much of its involvement in public enterprises and contained the growth of its social welfare programs. While it notes that the US federal and state governments buy most of their needed services and goods from the private market-place. ‘United Kingdom’, CIA Factbook Website, https://www.cia.gov/library/publications/the-world-factbook/geos/uk.html#Econ. [Accessed 16 Sep 2008]
reliant on the private sector to provide much of its administrative, training and logistic requirements.27

Using the Bobbitt terminology, it could be argued that once a nation accepts the globalisation rule set, it is transformed from a nation state to a market state. The interdependence of market states—and Australia is now one of them—has significant implications for national defence and security planning...28

Australia has the communications infrastructure required of a market-state and thus, is open to the forces of globalisation. Australia had 22.5 million mobile phones in usage in 2009 (more than one for every citizen) and the majority of these are now the so-called internet enabled ‘smart phones’. This compares favourably with the United States which had 279 million phones for population of just over 300 million. With regards to internet users, Australia had 15.8 million in 2009 compared to 245 million for the United States.29

Like other developed states, Australia is in the process of enhancing its information infrastructure. The National Broadband Network is currently under construction. Its aim is, ‘that, by 2020, Australia will be among the world’s leading digital economies based on key indicators such as broadband penetration and usage rankings.’ The political controversies and criticisms aside, the government recognises the importance of digital infrastructure to the state’s future prosperity.30

The digitisation of the Australian private sector is well underway. The number of businesses with an online presence grew from 35% from November 2010 to 39% in August 2011. Social media usage has grown too, albeit unevenly across the country. Usage ranges from 25% of Victorian and 24%, of Queensland businesses to 14% of South Australian businesses.31 This

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27 Examples of private sector involvement in what was once core military functions include: recruiting, catering, transport, medical services, quality assurance of munitions and increasingly, the provision of generic and specialised training.

28 Alex Tewes, National Security or Just Defence? The Next White Paper, Department of Parliamentary Services, Canberra, 2005.


compares with 63% and 19% of American small businesses with online and social media presences, according to a Citibank survey conducted in 2010.  

In terms of the market-state’s role within the state including the management of the economy, Bobbitt suggests:

We are moving from a system in which the State is the principal actor on behalf of the nation to one in which the State is the facilitator of practical affairs. The market-state seeks a role as an enabler and umpire, and shuns the role of provider and judge. … Increasingly, the justification for state action will turn on its relation to minimising costs.

Within the Australian context, we have seen this in the widespread and continuing privatization of what were government services and utilities. It can also be seen in government attitudes to the provision of infrastructure such as major roads and the Victorian desalination plant. The trend is for public private partnerships or, when the risk is acceptable to private corporations, privately owned infrastructure. The privatization of jails and detention centres for illegal immigrants are other examples of Australian governments, both state and federal, retreating from what was once core business. In the sphere of health care, there is growing reliance on private health funds for the majority of Australian citizens. 51 percent of Australians in 2004/5 had private health cover, according to the ‘2004-05 ABS National Health Survey (NHS)’. To encourage its citizens to use private health funds, the government has used market mechanisms such as tax rebates. In relation to the business of war, the ADF now relies heavily on private contractors to deliver much of its logistics, training and administration. Even the security of military bases is out-sourced to civilian contractors. In addition, the Australian government, like its British and American counterparts, now relies on private contractors rather than the ADF for the security of its embassies in Iraq and Afghanistan.

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During the course of the Long War, nation-state governments undertook responsibilities in what were new areas of the economic and social activities of their citizens. The nation then endorsed the activities of government through a vastly expanded voting franchise. Bobbitt posits that this relationship is changing, with the market-state undertaking to do less and relying on less formal mechanisms to gauge public approval such as opinion polls and focus groups and eventually online referenda.  

This trend is evident within the Australian political scene, as political reporter, Jim Middleton notes:

Since the mid-1990s, at least, neither Labor nor the Coalition has tolerated a leader who loses popularity. This is the iron law of modern Australian politics. But is it the consequence of the blizzard of opinion polls which have settled on the front pages of the nation’s broadsheets with ever increasing frequency or of a structural fact embedded in the nation’s democracy. 

Bobbitt suggests that the evolution of nation-states into market-states brings with it a decoupling of the apparatus of state and the national community. As the state does less for its citizens, essentially limiting itself to providing security and economic opportunity (a difficult enough challenge given the vagaries of the global financial market) it loses much of its legitimacy. This can be seen in the growing disenchantment of citizens in their governments in Australia and the rest of the developed world.

The nation-state undertook to be responsible for economic planning..., income redistribution and democratic accountability, and it promised to underwrite (in varying degrees) employment, health care, education and old age security.

The nation-state (including those states with communist and fascist governments) received much of its legitimacy from promising to provide for the material wellbeing of the nation. Also, in recent decades there has been a significant shift in thinking regarding the ability of the state to remedy social ills such as drug abuse, long term unemployment, declining literacy rates etc. There is a growing acceptance that the state cannot (and perhaps should not) provide welfare to all persons in desperate need. In Australia, there has been significant

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35 Bobbitt, *The Shield of Achilles*, p. 238


37 Find reference


reform to the welfare network by both sides of politics. Major initiatives include: ‘work for the dole programs’, whose aim is to reduce long term unemployment; compulsory superannuation designed to reduce the cost to the state of old age security; university tuition fees; and the Medicare levy and private health care rebates.

This is consistent with developments in war and security. War is becoming the affair of states rather than of peoples. There is little of the sense of the mass participation in the major conflicts between nation-states engendered by conscription during the Long War. 40

Other responsibilities of the market-state may also lead to a similar delegation of power, e.g., the monitoring of epidemics and diseases, of national migration, of terrorism, of espionage and of threats to the environment. All of these spheres of governmental activity are ill-suited to effective oversight by the market. Some depend on maintaining the secrecy of crucial information, while others require a single governmental voice in a dialogue with other governments. In both cases, transparency and public knowledge are sacrificed. 41

In Australia we have witnessed this, to some degree, in the government’s conduct of Australia’s participation in the Afghanistan War. Public debate (and that in the parliament) is not encouraged. Media participation in recent conflicts, that is access to the operational area by reporters, is more tightly managed by Department of Defence than earlier ones. There is, I posit, almost the sense that Afghanistan is the ADF’s war, with the broader public participation being limited to the mourning of the death of ADF members. This behaviour, I posit, was also evident in the dialogue and interactions between George Bush, Tony Blair and John Howard in the aftermath of September 11. Decisions in relation to the invasion of and conduct of the wars within Afghanistan and Iraq were made with minimal policy input from other elements of national governments. The executive in each case made decisions with almost lip service only to public opinion.

Finally, Australia, like the United States and Britain, is a multicultural, religiously diverse society dependent on the free market. And like America, its federal structure resisted the centralising tendencies of the nation-state. It is well placed to evolve into a market-state. Given that it too, is tolerant of diversity and committed to individual liberty above the

41 Bobbit, The Shield of Achilles, p. 236.
collective, like the United States and Britain, it is likely to favour the entrepreneurial form, which will have significant strategic consequence as will be discussed in more detail later.  

**Forms of the Market-State**

Bobbitt maintains that the market-state’s evolution is not proceeding uniformly throughout the international system and certainly, its final shape is unclear. It is likely that market-states will co-exist and possibly come into conflict with nation-states for quite some time; and as was the case with nation-states, not all market-states will be the same. Bobbitt postulates that there will be three basic forms; these are entrepreneurial, mercantile and managerial market-states. In addition, he posits the existence of virtual market-states, nominating al Qaeda as an example.

The three market-states forms are indicative only — it is unlikely that any current state will evolve into an archetypal entrepreneurial, managerial or mercantile state. It is likely however, that individual states, while favouring one form, will have characteristics of the others. There is not a hierarchy of market-state forms, that is, one type is not superior to the others. Bobbitt is at pains to explain that nation-states will adapt into a market-state form that best suits their cultural, geographic, economic and political circumstances. States that traditionally place the individual above the collective are likely to evolve into entrepreneurial states whereas those that favour the collective are likely to evolve into managerial or mercantile market-states.

**Entrepreneurial Market-State**

The ‘entrepreneurial’ market-state attempts to improve its relative position relative to all other states while mitigating the competitive excesses of the market through cooperative means. It seeks leadership through the production of collective goods that are attractive to other states in the international order. This form of the market-state is characterised by

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44 Bobbit, *The Shield of Achilles*, p. 283. This might include the provision of leadership in regional international military crises — in a similar vein to the role America plays on the international stage. It also includes leadership, or at least a major contribution, in crises where humanitarian assistance is required such as the Boxing day tsunami in 2004. The US, in particular, and states such as the UK and Australia, to a lesser degree, have the expeditionary capability within their military forces – amphibious ships, significant strategic air lift – and, of course, the expertise to deploy those military forces to distant natural
democratic governance with a focus on individual human rights. It is libertarian in that it sees the government’s role as empowering the individual’s freedom of choice — of career, sexuality, religion, lifestyle, children’s schooling etc. In such states, there will be minimal government intervention in the market. Job creation comes at the expense of job security and consequently there will be relatively low wages in many sectors, particularly low-skilled areas. Generally, meritocratic promotion ladders will pervade government bureaucracy, private corporations and the military. Unions are relatively weak and the relocation of capital investment is unfettered. Local industries are largely unprotected from international competition and those that survive are hardy, highly innovative and adaptable. There will be relatively few barriers to migration, and immigrants will have a range of backgrounds and skills. There is a caveat; migration will be tolerated as long as it does not affect the state’s ability to create wealth. Bobbitt nominated the United States and the United Kingdom as the two states farthest along the pathway to market-statehood; having commenced the process in the Thatcher and Reagan eras.

On the down side, Bobbitt, observes that ‘the entrepreneurial state may become so intoxicated with its own absolute position that it fails to prepare itself for future adversity by refusing to defer consumption in order to facilitate investment in infrastructure…’ This form of the market is, Bobbitt argues, well suited for multi-ethnic states. Moreover, while it fosters ethnic diversity, it will find maintaining social cohesion and a strong sense of national identity increasingly difficult.

Though ignored by Bobbitt in *The Shield of Achilles*, Australia (and New Zealand too) underwent an economic revolution similar to those of the United States and United Kingdom during this period. In fact, given Australia’s cultural, economic and political similarities to Britain and America, coupled with its liminal regional status, it is highly likely to evolve into

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45 That is, relative to global wages in like industries. Coupled with this, industry will be at liberty to expatriate jobs to regions of the world where the cost of wages are lower than the domestic base. The shedding of IT related jobs in Australia by Australian banks in the middle of the last decade in favour of IT employees in India is but one example of this phenomenon.


a market-state predominantly entrepreneurial in nature. Australia too, has lowered its tariffs to expose its local industry to international competition; and deregulated its banking sector — allowing foreign banks to compete in the domestic economy, while encouraging local banks to compete more effectively internationally. Australia has reduced the strength of its unions to make labour more flexible and therefore the economy globally competitive, and continues to reduce its relative social welfare liability.

Strategically, Australia is pro-active in its efforts to work cooperatively with other states to address both regional and systemic issues of interest. It is diplomatically very active, particularly in the Asia-Pacific; and participates in a range of multilateral forums including the United Nations, Asia-Pacific Economic Community (APEC), Association of Southeast Asian Nations Regional Forum (ARF) to promote its interests. It has successfully secured a broad range of security and economic agreements throughout the East Asian and South Pacific regions.

In terms of entrepreneurial market-state behaviour, it provides ‘collective goods’, albeit on a scale commensurate to its middle power status. Its scope is regional rather than global. Australia plays a lead role in promoting stability in the South West Pacific, for example, the Regional Assistance Mission to the Solomon Islands (RAMSI) and the provision of long-term aid to Papua New Guinea. It established and led the coalition that intervened in East Timor in 1999 and again in 2006. Australia continues to maintain a significant military presence to help sustain democratic governance and the rule of law. Australia regularly provides troops, police and other government officials to UN missions; and regularly supports the United States in its provision of what could be termed ‘systemic collective goods’.

**Mercantile Market-State**

The ‘mercantile’ market-state endeavours to improve its relative position in relation to all other states by competitive means. That is, it seeks market share above all else. Through increasing market share, it gains relative dominance of the international order. It has a strong central government that protects local industries, subsidizes research and development and attempts to ‘pick winners’, that is, it will favour certain industries and corporations. A

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48 Australia has demonstrated a willingness to take the lead within its region and provide collective goods such as leadership roles and significant military contribution to stabilisation missions within Southeast Asia, e.g. Cambodia, East Timor (twice), and in the South Pacific, e.g. Solomon Islands (RAMSI) and PNG. These are collective goods as defined by Bobbitt.

small number of mega-corporations will come to dominate the domestic economy, and there
will be close co-operation between these corporations and the government bureaucracy. In
general terms, the mercantile market-state’s fundamental difference to the libertarian
entrepreneurial form, is that it favours the collective at the expense of the individual. It is
willing to restrict individual choice for the betterment of society. It fosters high levels of
employment within society to maintain social cohesion but does so at the expense of
efficiency. The close relations between large corporations, the government bureaucracy and
the government itself leaves it open to corruption and cronyism that in turn stifles
efficiency.\(^{50}\)

Examples of states that share these characteristics include Japan, Singapore, South Korea and
increasingly China.\(^{51}\) However, China’s one party political and relative lack of personal
liberty qualifies it as an authoritarian mercantile market-state. Japan’s prolonged period of
economic stagnation is largely due to its ‘… rigidity and self-dealing that infest a mercantile
state; transforming its markets by secretive, deceptive, and even corrupt practices. An entire
banking system run like a military-industrial complex, for example, is unlikely to be the most
efficient agent of domestic growth.’ Likewise, Japan’s restrictive immigration policies while
assisting in the maintenance of social cohesion is a major impediment in addressing the
problem of an aging population and its consequences for long-term productivity.\(^{52}\)

**Managerial Market-State**

The managerial market-state attempts to improve its relative and absolute position to other
states by regional and formal means such as the creation of trading blocks like the EU. It
seeks power in the international system through achieving dominance in a regional
structure.\(^{53}\) The managerial market-state fosters free and open markets in a regional
framework. Private property and enterprise is valued but their status with the constitutional
framework is dependent on their continued contribution to the common good.\(^{54}\) Thus, private
enterprise is more constrained than in the entrepreneurial model. The government provides a

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\(^{50}\) Bobbitt, *The Shield of Achilles*, p. 283.

\(^{51}\) Bobbitt *The Shield of Achilles*, p. 671.

\(^{52}\) Bobbitt, *The Shield of Achilles*, pp. 283-4, and regarding China see Paul Monk in *The Australian*,
(Sydney) ‘Chinalco and The Party: Go Figure’, 24 February 2009. Monk argues that China is evolving into
an authoritarian mercantile market-state.

\(^{53}\) Bobbitt, *The Shield of Achilles*, pp. 283.

\(^{54}\) Bobbitt, *The Shield of Achilles*, pp. 672-3.
substantial social security net and maintains a strict monetary policy. It also encourages and subsidises research and development. Workers and their unions remain powerful players in this form of the market-state. Workers have representation in the management structures of local corporations. Managerial states also have strong social cohesion. They are reluctant to grant citizenship to new arrivals and use mechanisms such as ‘guest workers’ to acquire additional labour. Possible candidates for this form of market-state include Germany and France.

Bobbitt, drawing upon the EU’s reaction to Rwanda and the Balkans’ wars of the 1990s, suggests that a pitfall with this form of market-state is the dilution of responsibility that comes with cooperative structures.\(^{55}\) I posit NATO’s lack of commitment to the Afghanistan War is indicative of this problem, specifically the unwillingness of member states such as Germany and France to put their troops in harm’s way, leaving the burden of the heavy fighting to states such as the United States, Britain, Holland, Canada and Australia.

What is the strategic significance of the evolution of the market-state into the three forms overviewed above? Bobbitt posits that the three constitutional modes of market-state will generate tensions and conflicts, which could potentially lead to a new epochal war. They could come to represent a divide as profound as the divide between communist, fascist and parliamentary nation-states that fomented and sustained the Long War.\(^{56}\)

One could see how the managerial and entrepreneurial forms could come into conflict because of the former’s propensity to create protective regional blocs. It is conceivable that managerial market-states could partially, or even fully, restrict mercantile and entrepreneurial market-states accessing their regional markets. The modus operandi of the mercantile state, that is, efforts to improve its relative position at the expense of other states and its willingness to use deceptive and even corrupt measures to transform its markets is also likely to cause conflict with the entrepreneurial form. The conflicts we have witnessed between the EU and the United States over farm subsidies; the earlier trade wars between America and Japan over their balance of trade; and more recently, between China and the United States over the value of the Yuan are possible precursors to future more profound conflicts.

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States of Terror and States of Consent

In *Terror and Consent: the Wars for the Twenty-First Century*, Bobbitt builds on the market-state theory developed in *The Shield of Achilles* to analyse the idea of a ‘war on terror’. At stake, he argues, is the continued dominance of the international order by ‘market-states of consent’. Contesting their dominance are their antithesis — states of terror. Market-states of consent stake their essential legitimacy on their ability to provide the circumstances in which their citizens can enjoy liberty and the opportunity to maintain or better their own material circumstances. Bobbitt defines states of consent as members of the ‘West-plus’, which includes other broadly democratic states such as Australia, Japan, Indonesia, Singapore, South Korea, South Africa and India. Like the nation-states that preceded them their fundamental purpose is to protect their citizens.

As I have discussed previously, the nation-state is unable to protect its citizens from the threats of the globalised era, which have expanded beyond state-on-state conflict to include global networked terrorism, WMD proliferation and the increasing vulnerability of civilians to natural disasters. These key threats are Bobbitt’s theatres in the wars against terror. Each has potential for catastrophic impact on a state of consent’s civil society, causing the curtailment of individual freedom. The current fight against al Qaeda and its affiliates, he predicts, is but the beginning of a new epochal conflict.

Waging wars against terror is an historic struggle to preclude a world in which terror rather than consent establishes the State’s legitimacy. What is at stake ... is nothing less than building a basis of legitimacy for the new, emerging constitutional [market-state] order.  

What then is a state of terror? Al Qaeda — a virtual market-state — has a vision, which is a reaction to the globalisation of human rights, that is, democratic governance and the rule of secular law. It seeks a global caliphate with a constitutional order based on a strict interpretation of Sharia law. An example of what this might look like is Afghanistan under the rule of the Taliban. Such a state uses terror to control its population and enforce Sharia law and, suggests Bobbitt, to deter other states from interfering in its internal

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circumstances.⁵⁹ According to this conceptualisation, states such as North Korea also qualify as states of terror. The government uses terror against its own citizens to enforce its version of Communism and the threat of terror against neighbouring states via the development of ballistic missile and weapons of mass destruction technology.

China, and Vietnam, while clearly on the pathway to becoming market-states restrict the personal freedom of their citizens and use coercive means to control their behaviour. The use of terror is arguably implicit and less overt, though most Tibetans would probably disagree. China does not overtly use terror as a threat to other states with the possible exception of Taiwan.⁶⁰ An obvious contradiction is that Chinese citizens have considerable freedom to make money through their own enterprise and the Chinese state works hard create the opportunities for this to occur. Indeed, its ability to deliver economic progress is the rationale by which the Chinese Communist Party justifies its leadership role. It is probably more accurate to describe China as an evolving authoritarian market-state with mercantilist characteristics.⁶¹

An Uneven Transformation 1: Proto Market-states

The transformation of the international system from one dominated by nation-states to one by market-states will be tumultuous, if history is any guide. As noted above both market-states of consent and terror, in various stages of evolution — most real and some virtual, are likely to co-exist with nation-states for some considerable time into the future. Some market-states of consent will fit neatly into the entrepreneurial, managerial and mercantile categories and some will not. For example, it is conceivable that an entrepreneurial British market-state will be part of an EU managerial super market-state.

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⁶⁰ Denny Roy, ‘Tensions in the Taiwan Strait’, *Survival*, vol. 42, no. 1, Spring, 2000, p. 85. While the China-Taiwan dispute can be considered as an internal threat, Taiwan is in effect a de facto state; and the Chinese strategy for any future military conflict with Taiwan includes the potential use of ‘fifth columnists’ to assassinate political leaders and to sabotage critical infrastructure. The large numbers of PLA formations, including a major proportion of its short range ballistic missile inventory stationed across the Taiwan Strait also qualifies as an implicit threat to use terror.

⁶¹ *The Australian*, ‘Chinalco and The Party: Go Figure’, 24 February 2009.
For ease of categorisation, I have assumed that most developed states such as the United States, Britain, Japan, Germany and Australia have continued to evolve in the nearly ten years since Bobbitt wrote Shield of Achilles and can be referred to as market-states. Likewise, developing states such as China, India, Malaysia, Thailand, Vietnam and Indonesia, while displaying many of the characteristics of a market-state, remain proto market-states. The proto-market-states listed above and many others not nominated are, building information based economies open to the global financial markets and international competition fundamental to becoming a market-state.62

Within Australia’s key regions,63 things are more protean than in Europe. There are many more developing states, not many of which qualify as proto market-states; and few of these are members of Bobbitt’s West-plus states of consent. With regard to the regions’ major powers — discussed in more detail in Chapter 3 — India appears to be evolving into a market-state with managerial characteristics, while Japan and South Korea appear to be evolving into something like the mercantile form.

In general, East Asia and the Indian Ocean Region have minimal effective collective security architecture with which to moderate state behaviour. The exception is Southeast Asia, where there is some nascent security structure. Essentially, this is Association of Southeast Asian Nations (ASEAN) and its associated fora, in particular the ASEAN Regional Forum (ARF). The ARF provides a valuable forum within which ASEAN states can engage China, America, Japan and other major states in the Asia-Pacific and Indian Ocean Region on security matters. However, its disparate membership and a lack of compulsion for member states to act on security matters, renders it incapable of acting decisively in the event of a regional security

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62 CIA World Factbook Website, https://www.cia.gov/publications/the-world-factbook/print/in.html, [Accessed 23 Sep 2009]. I based this conclusion on each of the states’ burgeoning information infrastructure. China as at 2007 had 547.286 million mobile phones. The telephone system is increasingly for private use and China is partnering with foreign providers to expand its global reach. The number of internet users at the time of writing exceeded 250 million. India had 362.3 million mobile phones and deregulation of telecommunications laws has sparked rapid growth. India has 80 million Internet users as at 2007 and is undertaking the massive expenditure in IT infrastructure investment—India now has one of the biggest domestic satellite systems. Indonesia had 81.835 million mobile phones as at 2007 with 13 million Internet users. Like the other two states, there has been rapid development in information infrastructure. By way of comparison, Australia in 2007 had 21.26 million mobile phones (2007) for a population of 21 million and 11.24 million Internet users. Clearly China, India and Indonesia have quite some distance to go to have the information infrastructure density of a market-state but the trends in each are indicative of strong progress.

63 I have identified these as East Asia and the Indian Ocean region. My assessment is based on their economic and military weight.
crisis. In addition, ASEAN and the ARF, like the UN, are premised on opaque notions of sovereignty such as non-interference in other state’s domestic circumstances.

The key ASEAN state is Indonesia, which also happens to be of fundamental importance to Australian security. It is, I posit, a proto market-state of consent. The archipelago’s sheer mass has historically meant that when internal issues do not distract, it dominates ASEAN. If it can sustain its current developmental trajectory, it is conceivable that in time it could transform ASEAN into a regional construct not unlike the EU.

It is evident that few, if any, regional proto market-states are evolving in the same direction as Australia. This not to say that Australia cannot continue to reach reasonable accommodation with the region’s member states but it is likely that its liminal status will be enduring. Furthermore, given its strategic mass and assuming that it does not acquire a nuclear capability, it is likely to continue to seek ultimate security assurance from the United States — another likely entrepreneurial market-state.

An Uneven Transformation 2: Unassimilated States

A third group of states are a considerable distance behind the proto market-states. Bobbitt calls them ‘unassimilated states’ and their members include Afghanistan, Papua New Guinea, the Pacific island micro-states, most of the African states; and the majority of Middle Eastern states including Iraq, Palestine, Lebanon and Syria.

Thomas Barnett labels these two groupings of market-states and unassimilated states as the ‘Core’ and the ‘Non-integrating Gap’. The Core is subdivided into the new and old with the ‘Old Core’ being essentially those developed states of the ‘West plus’, that is, Europe, the United States, Japan, Singapore, Canada, Australia etc. The ‘New Core’ is comprised of those

64 The ARF is not an alliance like say NATO, instead it is literally a forum. Its membership does not impose restrictions or obligations upon its members and it does not have the overt security mechanisms such as a military command structure like NATO’s. Founded on ASEAN’s modern notions of sovereignty, that is, ASEAN’s policy of respect for members’ sovereignty, specifically non-interference in each others’ domestic circumstances, ensured spectator status for the ARF as the crisis unfolded. See James Cotton, East Timor, Australia and regional order: Intervention and its Aftermath in Southeast Asia, Routledge, New York, 2004, pp. 80-1.

65 Department of Defence, Defending Australia in the Asia-Pacific Century: Force 2030, p. 35.

66 I would argue that this is something that cannot be taken for granted, as market-states are inherently more flexible in relation to their response to security issues than nation-states.
still developing states that have signed up to the rules of globalisation; such states as China, Russia, most of Eastern Europe, India, Indonesia and Malaysia. Gap states potentially will never be able to make the transition to becoming market-states of consent, that is, without massive economic and security intervention by the market-states of the Core. Indeed, Barnett argues that the United States has been heavily exporting security to the Gap since the end of the Cold War. He describes members of the Non-integrating Gap as ‘…countries that either refuse such internal re-alignment [those necessary economic and political reforms required to share in the fruits of globalisation] or cannot achieve it due political/cultural rigidity or continuing abject poverty…”\textsuperscript{67}

Some of the Gap’s members are already states of terror and many more are on the brink of this unwelcome transformation. These and other members, often failed or failing states, will be unable to participate effectively in the international market-state order. These states face the dire prospect of entrapment in a cycle of poverty and conflict. Their populations will be desperate, gripped with feelings of envy and injustice, and there will be reactions against modernity, that is, countervailing forces against the homogenising forces of globalisation, that are impacting on traditional cultures, customs and language. Al Qaeda’s Salafist vision is one such reaction against modernity. It will be largely from this group of states that the direst short-term threats — such as terrorism and other conflict, disease, narcotics, genocide — to advanced and proto market-states of the Core will come.\textsuperscript{68}

\textbf{Market-State Theory Critique}

A review of related literature has revealed a dearth of academic analysis of Bobbitt’s theories on state evolution. I did find numerous references to market-states and to some of Bobbitt’s ideas on the effects of globalisation in a range of media articles. Likewise, there have been regular references to his ideas by a number of eminent Australian political and military leaders in the first half of the last decade. However, there has been little in the way of serious


academic critique. 69 Paul Monk has produced a significant body of work that attempts to develop a number of key market-state concepts, including the evolution of China into a mercantilist state and its possible security consequences. He has also attempted to explain Australian security issues within a market-state context.70 Alex Tewes borrows heavily from Bobbitt in his 2005 Parliamentary Research Note, National security or just Defence? The Next White Paper. He posits a useful distinction between nation-state and market-states and alludes to the strategic import of Australia’s transformation into a market-state:

The distinction is that while nation-states can be seen as self-contained, fully sovereign entities much like billiard balls bouncing off one another on a billiard table, market states are inherently dependent on other states behaving according to an explicit and common rule set which enables commercial and other transactions to occur in a predictable fashion. 71

David Runciman’s review of The Shield of Achilles, which he describes as being in, ‘[m]any ways a remarkable [book] one. It is huge (really two books rather than one), breathtaking in its range of reference, forcefully written and fairly eccentric, at times indeed slightly unhinged’. He explains and clarifies the majority of Bobbitt’s key concepts and compares them to work by Robert Cooper, a senior foreign policy adviser to Tony Blair. Many of Cooper’s ideas, expressed in an essay The Post-Modern State and the World Order, according to Runciman, resonate with those of Bobbitt’s. Cooper divides the world up into pre-modern, modern and post-modern states. Pre-modern states attempt to rule those places where modern politics with its concern for the provision of security and welfare has broken down or was never properly established. Modern states are defined as those that continue to pursue the political ideals of security and social welfare in a nationalistic setting. They are similar in many ways to Bobbitt’s nation-states. Whereas, post-modern states have largely jettisoned the modern state notions of opaque sovereignty and balance of power to embrace co-operation, mutual interference and a heightened sense of morality in international affairs.

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71 Tewes, National Security or Just Defence? The Next White Paper
as their guiding principles. The key point of similarity is their shared belief in the resilience of the state and its ability to evolve to meet new international circumstances.

‘Neither believes that the state is likely to be swept away in the current riptide of globalisation. Indeed, both insist that there is no alternative to the state as the basic unit of political action and political understanding, and that the choice in the conditions of 21st-century global capitalism is between different forms of the state, not between the state and something else. What they do wish to sweep away are those international institutions founded on a conception of the state which is now outmoded.’

Hugh White, who given his predilection for a geographic determinist basis to Australian military strategy, is critical of Bobbitt’s market-state conceptualisation. White expresses his doubts about Bobbitt’s from both ontological and epistemological perspectives. He states that Bobbitt’s fundamental postulation is that the transformation of the nation-state to the market-state is a major and abrupt change in the basic construct of the international order. He argues that this then translates into an impact on international relations of decades and perhaps centuries in duration. It follows that the policies of governments need to adapt. He suggests that Bobbitt claims both predictive and normative powers. This is an oversimplification of Bobbitt’s state transformation theory. White’s focus in the article was on the current nation-state era only and, therefore, neglects the centuries long process of state evolution, described by Bobbitt in *The Shield of Achilles*. Bobbitt has never described the process of the nation-state’s transformation to the market-state as abrupt, on the contrary, he describes the process as an ongoing evolution and that it will be untidy with nation-states co-existing with market-states for quite some time to come.

In terms of ontology, White argues that states’ conduct is framed by the consequences of their actions, that is, in their relations with other states. He adds that the factors that shape their judgements of cost, benefit and risk are always shifting. He argues that Bobbitt sees the most recent shift as epochal. In fact, it is the end of the Cold War that Bobbitt sees as the end of an epochal war, not the events that have occurred in its wake. White also suggests that Bobbitt argues that in the last 20 years most states (the most powerful at least) have not engaged in

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73 Runciman, ‘The Garden, the Park and the Meadow’.

old style strategic competition or conflict. This is the result of the emergence of the market-state and the disappearance of the nation-state. 75 This is simply not the case; Bobbitt does not see the market-state as a panacea for the banishment of great power conflict. He sees conflict as a natural condition of the international order. In The Shield of Achilles he has articulated, at length, the potential for new forms of strategic competition and conflict between different constitutional forms of the market-state as well as market-states and nation states. 76 In fact, I posit that we are starting to see a growing rivalry between a mercantilist China and an entrepreneurial America, and in cyber-space there is open conflict that has cause such consternation that the two states have recently conducted war games to mitigate against the chances of all out cyber war through misunderstanding. 77

"Bobbitt wants to remind us that in a world of states like ours the greatest dangers remain the confrontations between the most powerful states, though these in turn should not blind us to the possibility of allowing small-scale disputes to escalate into the kind of conflicts that overwhelm us." 78

White argues that by applying Ockham’s razor there is no need to postulate epochal change or the evolution of a new state entity to explain the security changes of the last 20 years. He posits that nothing (though he does not give any examples) in this period cannot be explained by nation-states making temporary adjustments to new circumstances. 79 I would argue that many changes undertaken by states would appear permanent and far-reaching in scope. We are witnessing Eurozone members, who have already surrendered fundamental aspects of their sovereignty, contemplate even larger ones in response to the sovereign debt crisis. 80 Western states, Australia included, have and continue to strip back the welfare state — there is no suggestion that there will be any retrogression. It appears most unlikely post-modern

75 Hugh White, My Doubts about Bobbitt.
76 Bobbitt, The Shield of Achilles, pp. 706-8.
78 Runciman, ‘The Garden, the Park and the Meadow’.
79 White, My Doubts about Bobbitt.
80 Halah Touryalai, ‘A Better Solution For The Euro Debt Crisis: Europeanization Of Banking’ Forbes Website, http://www.forbes.com/sites/halahtouryalai/2012/05/07/a-better-solution-for-the-euro-crisis-europeanization-of-banking/, [accessed 10 July 2012] Touryalai argues that the proposed Eurozone fiscal union will be, in fact, too difficult to achieve given the lack of will regarding political union and competing domestic demands of Eurozone members. Instead, she proposes Europeanization of the banking sector i.e. a Eurozone-wide regulatory system. The point here is that this type of union is seriously being considered by European states.
states such as the United States and Britain will abandon transparent ideals of state sovereignty for ‘modern’ opaque ones. White goes on to suggest that historians will see Bobbitt as yet another American academic articulating United States indefinite post-Cold War primacy which in turn is constitutive of a new epoch.\(^8\) There is perhaps some validity to this claim. Bobbitt, in *The Shield of Achilles*, does recommend a course of action for the United States to maintain its position of primacy but the overarching theoretical construct is global in scope and not American-centric. In his exploration of the three possible constitutional forms of the market-state, he acknowledges that no one form is necessarily superior to another. He suggests states like Australia, Britain and America are probably best suited to the entrepreneurial form and that this type of market-state tends to seek international leadership.\(^2\)

Epistemologically, White suggests that the basic structure of Bobbitt’s argument is that the next 100 years will be more like the last 20 years than the last 100 years. This, he says, is what economists call extrapolation fallacy which, he adds, is usually wrong. He goes on to state that Bobbitt’s 20 year frame of reference is too short a period to make reasonable long term predictions.\(^3\) I concur, 20 years is too short a timeframe to make such predictions. Bobbitt, in fact, bases his predictions on six or more centuries of history. He demonstrates patterns of state evolution — showing the linkage between strategy and law. Based on the changes we are witnessing to nation-state constitutions and strategic evolution, he then posits likely behaviours of the evolving market-state.

White concludes by stating that he does not have a prediction for the future and then sums up his own less ambitious approach. He has two basic propositions; firstly, states are human institutions and are reflective of them. It follows that an argument about change in the nature of states presupposes change in the way that people think. Here White reveals himself as a classical realist. He cannot tolerate the notion that the state is less than immutable. A proposition, I posit, that is dispelled by Bobbitt. White’s second proposition is that statecraft involves managing risk not certainty. He abruptly segues to China’s rise, stating that it may or may not disrupt Asia which, he adds, is a possibility with serious consequences and that

\(^8\) White, *My Doubts about Bobbitt*.

\(^2\) Bobbitt, *The Shield of Achilles*, p. 283.

\(^3\) White, *My Doubts about Bobbitt*. 
we (presumably Australia) need to work hard to manage. He concludes by stating that we need to be very careful of those who argue that we don’t (have to worry about China’s rise. He includes Bobbitt amongst these. To be sure, Bobbitt does not devote much analysis in *The Shield of Achilles* to the rise of China, though he suggests that China could become a mercantilist state. As previously noted, Paul Monk has devoted considerable research to this very topic. He has defined China as authoritarian mercantile market-state. Runciman also notes this in his review of *The Shield of Achilles*:

Both he [Bobbitt] and Cooper pay relatively little attention to China as a possible source of future conflict, not, one feels, because they think the dangers negligible, but because they are so great as to be hardly worth spelling out. Somewhere behind the Washington, Berlin and Tokyo models there lurks a Beijing model of market-politics, only nobody is quite sure what it is yet, perhaps not even the Chinese themselves. Due to the relative dearth of critiques of Bobbitt’s work, I have used conventional international relations theory, specifically realism and liberalism, to conduct a critique of key aspects of his market-state conceptualization. In addition, throughout the following discussion I have supplemented this with some analysis of state responses to the global financial crisis. Through this approach, I have tested the validity of Bobbitt’s key premise that the nation-state international order is evolving into a highly interconnected, interdependent market-state one.

**Realist Critique**

Realism is a broad church whose various types include classical and historical realism, structural realism and liberal or British school of realism. While each is quite different in their emphasis on the root cause of state behaviour, they share key tenets. Each articulates

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84 White, *My Doubts about Bobbitt*.

85 Runciman, ‘The Garden, the Park and the Meadow’.


87 Classical realists such as Thucydides and Morgenthau posit that human nature drives political interaction between states, whereas Machiavelli and Carr are advocates of realpolitik, that is, principle must be subordinated to practical policies which are based on power configurations in the world politics. Structural realists advocate that the nature of the anarchical international society of states fosters fear and uncertainty and thus conflict. And liberal realists believe that international anarchy can be mitigated by states, in the main the major powers who can establish rules for coexistence. Dunne’s taxonomy which is the basis of
the notion of statism, that is, the primacy of the state in the international order. The state is the so-called key referent in international relations and the focus of the majority of its academic analysis. Realist theory states that the world is an anarchic structure, that is, there is no sovereign authority ruling the world’s states and thus there is a constant state of conflict. Power distribution is a zero sum game and states rely on a self-help approach to security. The accumulation of power is then the key to state survival and thus ultimately, the weak must accommodate the desires of the strong.\textsuperscript{88} Finally, as Hedley Bull suggests, realism, which he describes as being a part of the Hobbesian tradition in international relations, is best viewed through the prism of warfare. Peace, therefore, is recuperation from war and a time where preparations for the next conflict can be undertaken. International relations for realists are a realm of amorality and lawlessness where states act only in their own self-interest.\textsuperscript{89}

The critique that follows is based on the key realist concepts: the state as the key referent in the international system; an anarchic global environment; and accumulation of power as the basis for the state’s security.

\textbf{State as Key Referent}

Bobbitt sees the state as the key referent in the global order, and the meaning of state sovereignty for Bobbitt is, as it is with realists, tied up with the use of force. The state has supreme authority within its defined territories though for Bobbitt territorial demarcation of state authority is becoming less meaningful in the market-state era. For Bobbitt the state has been a dynamic entity whereas realists has tended to see states as unchanging in their fundamental behaviour throughout modern history (since the treaty of Westphalia) and make little consideration of domestic political aspects. Whereas Bobbitt sees the state’s internal face — its constitution as critical and as being in a symbiotic relationship with its strategic approach, which is its outward face. In general, realists posit that a state’s domestic politics play no role in determining its behaviour in the international system. Bobbitt, on the other

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\textsuperscript{88} Dunne, ‘The Timeless Wisdom of Realism’, pp. 110-112.

hand describes the interactions between the great communist, parliamentary and fascist states of the twentieth century as a conflict between constitutional forms.\(^{90}\)

According to Bobbitt, the state has morphed into fundamentally different entities throughout modern history. The driver of this evolution is epochal war, that is, ‘a war that fundamentally challenges and ultimately changes the constitutional order of the state, by linking strategic to constitutional innovation’.\(^{91}\) Bobbitt’s starting point is Charles VIII’s invasion of the Italian peninsula in 1494 that marked the genesis of the modern state.\(^{92}\) Then followed a succession of fundamentally different state entities: princely, kingly, territorial, state nations, nation and market-states — each with its own unique constitutional construct and thus, strategic approach. Forces unleashed in one era cause states to undergo fundamental constitutional and strategic adaptation. Bobbitt argues that WMD development, growing international acceptance of universal human rights, the triumph of market economics and rapid development of information and computing technologies — forces generated during the Long War — are causing the nation-state’s demise and the rise of the market-state.

**Anarchic World Order**

There is little suggestion in *The Shield of Achilles* that Bobbitt refutes this notion. He certainly does not predict the future development of a world government but he does discount the notion that global anarchy causes states to distrust one another and therefore makes meaningful cooperation between them impossible. His work on market-states and the effects of globalisation suggests otherwise. Bobbitt argues that in the market-state era true state security, including economic development, will necessitate profound levels of cooperation between states across most major areas of human endeavour.

It is hard to refute the well-documented increase in economic interconnectivity and interdependence between states in the period since the end of the Cold War. This continues despite the ongoing problems associated with the global financial crisis. A retreat to

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92 Bobbitt, *The Shield of Achilles*, p. 80. The key aspect here was that the invading forces had 40 pieces of horse drawn artillery which would render useless the high walls of Italy’s cities. As Bobbitt notes: ‘Suddenly walls, towers, moats - all were rendered obsolete. As a result, princes and oligarchs made a pact with an idea: the idea was that of the State, and its promise to make the ruler secure.’ The state with its permanent infrastructure could gather revenue and raise and sustain armies to protect the realm.
wholesale protectionism was never seriously considered. In environmental matters there are major cooperative efforts underway including the most urgent, that is, the amelioration of carbon emissions. This is clearly less advanced as it is problematic for developing and many developed economies alike. Reducing carbon emissions will mean, in most cases, significant economic sacrifice. Nonetheless, as the world still grapples with the effects of the global financial crisis there remains some political will amongst state leaders to address this most urgent of global problems. In terms of security, a range of issues has become too large for any one state to mitigate. Issues such as globalised terrorism, WMD proliferation, piracy, people smuggling and other forms of transnational crime have necessitated unprecedented cooperation between states. The growth of an international human rights regime is another important and pervasive feature of the post-Cold War world. Like environmental cooperation, it is a problematic area for states particularly authoritarian states with poor human rights histories such as China. Acceptance of human rights for such states is corrosive to the ruling elite’s grip on power. Likewise, democratic states regularly subordinate human rights concerns for economic gain.\(^{93}\)

An example of the extreme form of inter-state cooperation is the European Union (EU), which is illustrative of state cooperation possibilities in the market-state era. For much of its history the EU’s primary focus has been economic and has been successful. Along with the United States, the EU is an economic superpower with a combined economy worth USD 15.3 trillion.\(^{94}\) However, in recent years, the agenda has expanded to include political union including a common foreign policy, though this has stalled somewhat in the aftermath of the global financial crisis. Despite the crisis and the substantial problems facing the EU consequently, membership remains attractive and continues to be sought after by non-EU European states and Turkey. These prospective members remain prepared to surrender fundamental aspects of their national sovereignty to Brussels to gain entry. This includes acceptance of a base level of human rights and the concession legal primacy to the European Court of Justice. While there has been some impressive progress in terms of economic union

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\(^{93}\) This is particularly evident in the aftermath of the global financial crisis in relation to China. Even the United States, traditionally a vocal critic of China’s human rights record, has declared that economic survival has primacy over human rights concerns. Secretary of State, Hilary Clinton, publically stated this during her February 2009 visit to China.

the quest for political union, as demonstrated by efforts to establish a collective foreign policy — a fundamental aspect of state sovereignty — have been less than successful to date.  

While interstate security cooperation is considerably less advanced than that in the economic sphere, there are many examples of a growing willingness by states to work together on the now broad range of significant global security issues. Some 87 countries are party to the Proliferation Security Initiative (PSI) — designed to ameliorate WMD proliferation. Similarly, cooperation between states to counter international terrorism is now generally broad and deep, with the NATO-led operation in Afghanistan an obvious example of military action against a specific and established threat. While major forums such as the UN, the G8, APEC and ASEAN+3 have established initiatives to ameliorate terrorism as a general threat. This has required significant cooperation across a range of state activities including customs regulation, policing, defence cooperation, including intelligence sharing. Australia’s security cooperation with Indonesia in countering the terrorist threat posed by Islamist groups within the archipelago is clear example of heightened cooperation between states in the post-September 11 world. The Lombok Treaty signed on 13 November 2006, requires Australian and Indonesian cooperation in a range of security related areas including counter terrorism, people smuggling, illegal fishing, and WMD proliferation. Cooperation in combating terrorism has deepened and strengthened since the 2002 Bali bombings being formalised with a Memorandum of Understanding (MOU), signed in February 2002. The MOU was extended by another three years in February 2008. Australia’s Federal Police are the highest profile part of this effort. Probably more significant in the longer term is Australia’s very market-state-like efforts to attack the terrorism problem at its grass roots, namely, the radicalising effect of many of the state’s privately funded madrassas. Australia is making a major contribution to Indonesia’s education system via the Australia-Indonesia Basic Education

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95 While restrictions to the movement of goods, services and people between member states have been removed, economic policies—spending, taxation, wage policies etc, remain in the hands of individual state governments. Political union on the other hand is a foreboding dream, particularly in the current environment. De Grauwe asserts that the EU’s future is dependent on its progress to political union and if this fails, the Eurozone will fail. Paul de Grauwe, ‘How to embed the Eurozone in a political union’, Vox Website, http://voxeu.org/index.php?q=node/5166, 17 June 2010. [Accessed 9 August 2009]

Program (AIBEP) in an attempt to foster secularism. Likewise, there is unprecedented collaboration in reducing carbon emissions and assistance in shoring up Indonesia’s food security.

Security Equals the Accumulation of Power
Realism places a premium on hard military power underpinned by economic power in a state’s pursuit of security. Moreover, this will probably hold true in the market-state era, with some important qualifications. Since the end of the Cold War state power has been reconceptualised: it is differentiated into ‘soft’, ‘hard’ power and now ‘smart power’, which is essentially the integration of hard and soft power — as advocated by Richard Armitage and Joseph Nye. One of the great lessons of the post 11 September era is that the squandering of America’s soft power through unilateral action reduced America’s ability to mobilise other states to its security causes. However, for most realists the accumulation of hard military power is fundamental to a state’s security and ultimately its long-term survival. Arguably, during the nation-state era this proposition held true. Likewise, the idea that state security is based on self-help, that is, states must ultimately provide for their own defence. Since the end of the Cold War with the subsequent acceleration of globalisation, these premises have increasingly come under challenge. In relation to the majority of the range of global security issues that comprise the post-Cold War security agenda, I posit, they are now decidedly out of date.

While the peerless American military machine continues to influence other states’ behaviour — acting as a powerful deterrent — it did not protect its citizens against al Qaeda’s attacks on 11 September 2001. Nor has it provided Americans with meaningful protection from cyber attacks or WMD proliferation. There is growing recognition by government leaders that state security is more than refining military force structures and updating weapons platforms. Likewise, conventional war between developed and developing states is becoming increasingly unlikely. In Australia’s case, there is minimal chance of another state using

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97 Department of Foreign Affairs and Trade, Indonesia Country Brief. Australia spent approximately $462 million on direct aid to Indonesia in 2008-9. AIBEP sees Australia fund construction of primary schools across 20 provinces generating up to 220,000 school places.

military force in a direct attack against the Australian mainland. More likely threats to security, in at least the short term are more likely to come from failed or failing states; non-state actors, including international terrorists and crime cartels; WMD proliferation; cyber exploitation and attack and so on.\textsuperscript{99}

For Bobbitt, state security in the globalised era hinges on intimate collaboration and deep cooperation between market-states as well as an all encompassing internal cooperation, that is, between government departments and agencies, levels of government and the private sector.\textsuperscript{100} Globalisation is having a normative affect on the pattern of interstate interaction. Meaningful state collaboration is becoming more and more evident in the amelioration of global problems. The unprecedented cooperation demonstrated by the G20 in response to the global financial crisis is illustrative. Likewise, in the security sphere, the international cooperation displayed by NATO members and other states in combating the Taliban in Afghanistan, which, I acknowledge is uneven in turns of burden sharing in relation to hard combat related activities, is nonetheless demonstrative of heightened cooperation between states in the face of a global threat.

On the other hand, Bobbitt does note that market-states will continue to pursue their own agendas in increasing their market share of the global economy. He explains that they will use significantly different strategies to nation-states to achieve this, depending on what form of market-state they become. Managerial major powers such as Germany will seek power through the attainment of hegemony within a regional economic zone.\textsuperscript{101} Mercantile market-states like Japan and China, through increasing their global market share will seek to gain relative dominance in international affairs. While an entrepreneurial market-state like America will seek international leadership by producing and marketing, collective goods that the world wants.\textsuperscript{102} Thus, market-states remain inherently selfish entities — like their nation-


\textsuperscript{100} The first national security statement to the parliament delivered by Prime Minister Kevin Rudd on 4 December 2007 articulates this requirement to meet the challenges of: 'Increasing complexity and inter-consecutiveness is a fact of life in the modern, global environment. Classical distinctions between foreign and domestic, national and international, internal and external have become blurred.' Address to the Australian Parliament, \textit{First National Security Statement to the Parliament}, Kevin Rudd, 4 December 2007, Prime Minister and Cabinet, http://www.pm.gov.au/docs/20081204_national_security_statement.pdf [Accessed 17 June 2009], p 2.

\textsuperscript{101} 'Obama and the Franco-German Struggle', Stratfor Website. The article discusses the latest iteration in the struggle between France and Germany for leadership of Europe within the context of the EU.

\textsuperscript{102} Bobbitt, \textit{The Shield of Achilles}, pp 907, 912.
state forebears. Now, however, their military capabilities, while remaining important are one of a range of tools they will use to pursue the strategies outlined above. Influence will not reside on military strength alone.

Market-states’ approach to the use of military force is evolving too. Defence forces of the developed states now talk of pursuing full spectrum operations, that is, ‘the primacy of conventional warfighting at the expense of counter-insurgency and stabilisation missions has passed’. The ADF and its counterparts have begun to adopt approaches more relevant to market-state conflict, characterised by a broader and more flexible doctrine that emphasise tactical and operational adaptation during conflict within an inter-agency, whole of government approach that may include other government agencies, NGOs and private corporations supplementing or providing key capabilities to a campaign.

Australia efforts to stabilise the Solomon Islands demonstrate the new approach. The Department of Foreign Affairs and Trade (DFAT) leads Regional Assistance Mission Solomon Islands (RAMSI) while the Australian Federal Police plays a lead role in the provision of security to the local population, supplemented by multinational military force of approximately one hundred troops — led by an Australian commander. Predominately an Australian effort, RAMSI has contributions from 16 Pacific states including New Zealand, Papua New Guinea, Fiji and Vanuatu, and operates under the auspices of the Pacific Island Forum. Its aim is to enhance Solomon Islands governance in order to prevent the re-occurrence of the lawlessness that emerged following the coup in 2000 which threatened the very fabric of the Solomon’s civil society.\textsuperscript{103}

A key aspect of the mission was the re-instatement of the rule of law. In this the Australian Federal Police (AFP) are the lead agency and in addition are responsible for building indigenous domestic security capacity. The ADF-led taskforce supports the AFP by underwriting the AFP’s position with the implicit threat of military force. This approach is, I posit, highly indicative of a market-state security solution. It is extremely collaborative, mitigating accusations of Australian neo-imperialism, spreading financial costs and, to a

degree, political risk to the Australian government. It certainly qualifies as a ‘collective good’ for the region gaining Australia significant political capital as a good regional citizen.

To sum up, hard power will continue to underwrite a state’s position within the emerging global order but will have less utility in terms of guaranteeing a state’s security. The array of security threats thus far seen in the early days of the market-state era more often than not require defence forces to undertake much wider array of tasks usually in collaboration with other state’s militaries, as well as other government organisations, NGOs and even private corporations. This new reality is at significant odds with the nation-state notion that a state’s security depends on its accumulation of hard military power.

**Bobbitt and Structural Realism**

Tim Dunne divides structural realism into two types: ‘Structural Realism I’, which sees the endless pursuit of power as a means to security by states rooted in human nature whereas ‘Structural Realism II’, often called neo-realism, apportions blame on the anarchical global system for fomenting fear, suspicion and insecurity.¹⁰⁴ It is the latter, criticised so vehemently in *The Shield of Achilles*, that I will use for a more specific critique of Bobbitt’s major ideas regarding the international system and its evolution. In particular, his notion that market-states — due to the forces of globalisation — will be forced into profound patterns of cooperation. John Mearsheimer says of neo-realism:

> [s]tructural realist theories ignore cultural differences among states as well as differences in regime type, mainly because the international system creates the same basic incentives for all great powers. Whether a state is democratic or autocratic matters relatively little for how it acts towards other states. Nor does it matter much who is in charge of conducting a state’s foreign policy. Structural realists treat states as if they were black boxes: they are assumed to be alike, save for the fact that some states are more or less powerful than others.¹⁰⁵

The key ideas of structural realism are that the regime type of a state is irrelevant to its behaviour on the world stage; states behave as black boxes, that is, they are essentially alike, save for their power differential; and states, due to their inherent suspicion of each other’s motives, cannot meaningfully cooperate.

¹⁰⁴ Dunne, p. 113.

Regime Types

Bobbitt states that the Long War of the twentieth century was a conflict for nation-state regime-type, or as he puts it, ‘the state’s organising mode’ legitimacy. The Long War was an epochal war in which three major nation-state regime types — communism, democracy and fascism — sought universal legitimacy and thus dominance of the international system. Bobbitt maintains that it was inevitable that Nazi Germany would attack the democratic states of Europe and then the USSR. It was also inevitable that once fascism was defeated at the end of the Second World War that the USSR-led Eastern bloc would come into conflict with American-led West.

States as ‘Black Boxes’

This is a key weakness in structural realist theory; even Waltz admitted his ideas did not explain the sometimes irrational behaviour of states. He suggested that a theory of international policy was required to supplement his theory of international politics. Market-state theory emphasises domestic constitutional organisation as fundamental in determining a state’s behaviour towards another, particularly that of the major powers. Conflict is inevitable as a new type of state evolves with characteristics that give it an overwhelming strategic advantage over other states of its era. An example of this is the evolution of France under Napoleon Bonaparte from ‘territorial state’, a state defined by its territory to a constitutionally (and therefore strategically) superior ‘state nation’ — defined by its ability to mobilise a nation (a national, ethno-cultural group). This new type of state could mobilise armies on a scale hitherto unseen but more importantly sustain them in the field for years. Other European states soon followed suit, changing their constitutional structures in order to raise the massed armies that became key to state survival. This new constitutional form of the state then determined the ‘constitutional order’ of the international system.

106 Mearsheimer, p. 77.

107 Bobbitt, The Shield of Achilles, pp. 120-1, 145-6. The territorial state that evolved during the period 1648 to 1776 was defined by its contiguity — ‘... its border were everything – its legitimacy, its defence perimeter, its tax base.’ It depended economically on vigorous trading because its domestic markets were often insignificant. It often derived much of its revenue by taxing imports. Territory defined the state rather than the persona of the monarch. The territorial state was in turn usurped by the state nation — ‘...a state that mobilises a national, ethno-cultural group to act on behalf of the State. It can call on the revenues of all society, and on all the human talent of all persons.’
Using a modern example, during the Long War, western parliamentary states triumphed against fascist ones during the Second World War; and then defeated communist states by winning the Cold War. Within Bobbitt’s conceptualisation of international relations, conflict between the different organisational forms of the nation-state, that is, communist, democratic and fascist was inevitable. Likewise, in the future it is highly likely that the different constitutional forms of the market-state — each with its quite different patterns of behaviour — will have the potential to generate conflict that could ultimately become a new epochal war.

Cooperation between States
The third major idea of structural realism, that meaningful, long-term cooperation between states is not possible, has been addressed to some degree above. There is little doubt that in the period since the end of the Cold War there has been increasing interdependence and cooperation between states, largely due to the processes associated with globalisation. This is most evident in the economic, and arguably, the environmental spheres. It follows that with clearly identifiable global security threats that there is increasing pressure on states to cooperate more closely than ever before in the political and security spheres.

In the economic sphere, the flow of information required to facilitate the vast and capricious flows of capital into their domestic economies has forced states to open themselves to the outside world like never before. The global financial crisis has placed great pressure on states to further increase cooperation to moderate and regulate capital flows. Coordinated measures through the G20 to stimulate state economies with the aim of inducing positive systemic effects, most notably kick starting the flow of credit; and the building of an international financial regulatory framework to be supervised by a new Financial Stability Board, as described above, being the most notable examples. While there is some way to go to overcome the effects of the crisis, there no sign of states retreating into insular, self-interest patterns of behaviour. On the contrary, indications are for greater future cooperation in managing the world’s economy. Eventually, as Bobbitt has written in relation to the global financial crisis, there is a need for an international solution including a Bretton Woods-like

\[108\] China affectively conceded defeat during the Long War by adopting a free-market based economy in 1978.
agreement for the globalised era. The agreements from the G20 meetings commencing in April 2009 may lay the foundations for that to occur.¹⁰⁹

As noted above, a fundamental premise of Bobbitt’s market-state thesis is that the differences in states’ domestic political circumstances, that is, their constitutional organisation will determine their behaviour. In many cases, these behaviours will coincide with those predicted by structural realists. Market-states will continue to seek to better their positions within the international system and their behaviour will continue to be defined by self-interest, particularly in relation to national security. However, the means by which they achieve these objectives is changing. There is growing acceptance that state cooperation is increasingly important to mitigate the security threats of the global era. Examples abound of profound state cooperation in reaction to WMD proliferation, international terrorism, piracy, people smuggling and climate change.

**Liberal Critique**

Liberalism has significantly influenced international relations, both theoretically and practically. Nevertheless, it has never been as influential as realism. To be sure, it has had its moments like in the immediate aftermath of the World War I and briefly after the World War II with the birth of the League of Nations and the United Nations respectively. There was another period at the cessation of the Cold War when the ‘democratic peace theory’ gained prominence in academic and some Western policy maker circles. Unfortunately, each of these moments has been relatively short lived or initial optimism not live up to expectations.

The historical alternative to realism is liberalism and like realism, it compromises several strands.¹¹⁰ Dunne identifies different strands based on divergences on issues such as the influence of human nature; the causes of war and conflict; and the relative importance liberal scholars place on the individual, the state and international institutions. That is, to moderate the nature of the international system and deliver progress — the collective improvement of

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¹⁰⁹ Philip Bobbitt, ‘The flag-waving is over. This is how the president can change the world’, *The Independent* (London), 8 Nov 2008.

¹¹⁰ Dunne, p. 148.
the human condition.\textsuperscript{111} I will focus on the dominant strands, namely, liberal institutionalism and democratic peace theory.

Liberal institutionalism has dominated liberalism since the end of World War II. Its key idea is the need for international institutions to facilitate international order, mitigate the worst excesses of state behaviour, and contain conflict and maintain peace. Liberal institutionalism’s antecedents go back to the conclusion of World War I. It was famously advocated by Woodrow Wilson, in his ‘Fourteen Points’ speech to Congress in January 1918.\textsuperscript{112} The formation of the League of Nations, in which Wilson played a major role, was a big moment in liberalism’s history but ultimately ended in disappointment. States that joined the League, ironically the United States did not, remained motivated by their own narrow self-interests and not the welfare of all. Thus, the League was powerless to prevent or even mitigate the series of conflicts that occurred in the lead up to World War II.

The next big moment for liberalism occurred with the creation of the United Nations in the aftermath of World War II. Many would argue that it has fared little better than the League in its main raison d’être — the prevention of war. After much fanfare and high expectations, it was quickly sidelined by the power politics of the Cold War. On the plus side, it has survived for more than fifty years and has had many notable successes including significant reduction of disease and starvation. Even in the area of security, it can claim some recent success in modifying state behaviour. Most states now seek the UN’s imprimatur for bestowing legitimacy on military actions against or against actors within other states. However, this is qualified by the fact that powerful states continue to undertake military action without UN sanction — the American-led invasion of Iraq in 2003 being a notable example. In addition, the UN has had very limited success in mitigating intrastate conflict.

There are numerous other examples of international institutions that moderate state behaviour in areas other than security. These include the International Monetary Fund (IMF) and the World Trade Organisation that have effectively fomented the spread of free-market economics as the basis of the world economy; and the International Criminal Court (ICC) which has becomes a significant factor in the ongoing transformation of state behaviour in

\textsuperscript{111} Dunne, p 149.
\textsuperscript{112} Dunne, p 152.
relation to the observance of human rights.113 One can also point to the moderating influence of regional institutions such as the EU and ASEAN.

A recent notion associated with liberal institutionalism is that the contemporary (nation) state is unable to cope with modernisation. The effects of the increasingly potent forces of globalisation including: the proliferation of information technology and the consequent information explosion; the observation and enhancement of human rights as the basis of state governance; and the vast and, until recently, unregulated capital flows of the world’s financial system. In addition, globalisation has spawned a new array of security threats that individual states struggle to mitigate.114

The democratic peace thesis came to prominence in the aftermath of the Cold War. Core to this concept is the idea that liberal democracies do not go to war with each other. It seemed that with the collapse of the Soviet Union and its communist proxies and the earlier acceptance by China of the need for a free market-based economic approach. It seemed to many pundits that democratic governance and its associated free market economics had triumphed over autocratic governance and centrally commanded economics. These sentiments are famously captured in Francis Fukuyama’s article, ‘The End of History’.115 Certainly, the idea resonates strongly with America’s foreign policy objectives since the Cold War’s conclusion. The need to promote democratic governance throughout the international system to facilitate peace is a key policy objective clearly articulated in America’s latest National Strategy Statement (NSS). The premise being a democratic state will not go to war with other democratic states.116

**Bobbitt and Liberal Institutionalism**

As noted above, Bobbitt’s work emphasises states as the prime actors in international relations with transnational institutions in supporting roles. Nowhere in The Shield of Achilles or Terror and Consent does he suggest institutions are fundamental to mitigating conflict and

113 The ICC is a part of the transformation of the nation-state conventionalisation of opaque sovereignty and its associated non-interference in a state’s domestic matters, including human rights abuses to a market-state notion of transparency and government accountability for the observance of human rights.

114 Dunne, p. 153.


maintaining international order. He sees this as the preserve of the major states, in particular, the United States. However, Bobbitt does acknowledge the need for market-state international institutions to help states regulate global affairs in the future. In the wake of the global financial crisis, new Bretton Woods’ architecture would help states regulate the international economy of the market-state era.

Another liberal idea that has strong resonance with Bobbitt’s market-state thesis is the proposition that that modern state is unable to cope with the forces of globalisation. His work goes further, showing that it is the nation-state’s inability to cope with the forces empowered by computer and information technologies that has resulted in the evolution of the market-state.\textsuperscript{117}

Bobbitt also concurs with liberal notions of growing states interdependency or the ‘integration’ of states’ endeavour across all areas of interaction including within economic, environment and security spheres. Market-states (of consent) cannot deliver opportunity to their citizens if they cannot attract major quantities of the information age’s vast global capital flows. As previously noted this means significant internal reform but also requires that states cooperate with other states to mitigate systemic market problems such as the global financial crisis. Likewise, to protect their people from the proliferation of WMDs, global terrorism and international crime as well as mitigating the impact of carbon emissions states must cooperate.

On the other hand, the proposition that globalisation is withering the state’s influence with the global environment is overstated. To be sure, the nation-state is being rendered obsolete by globalisation’s irresistible forces. However, its successor, the market-state, is their offspring. Market-states, until the recent economic events, have prospered mightily in the information age. By any measure, they are richer and more powerful than their predecessors were; and global institutions will be re-shaped by them to accommodate the new global realities.\textsuperscript{118}

\textit{Bobbitt and the Democratic Peace Theorem}

\textsuperscript{117} Bobbitt, \textit{The Shield of Achilles}, pp.16-17.

\textsuperscript{118} Bobbitt, \textit{Terror and Consent}, p. 485-7, 503.
This idea captures, albeit in an oblique sense, a key concept of Bobbitt's proposition that major state conflict is the result of competing constitutional organisational modes. In the Long War of the twentieth century it was inevitable that communist, democratic and fascist nation-states would be caught up in a protracted conflicted, an epochal war. In a sense democracy triumphed, but in achieving victory the seeds were sown for the nation-state's demise and the birth of market-state. While Bobbitt's states of consent are democratic, in a broad sense, he does not see them as triumphant. Rather he suggests that they will have to fight hard to win a new Long War against terror. In addition, the market-state is not necessarily democratic. Its different forms include entities with the characteristics of market-states of terror such as al Qaeda; and at least one variant (China) that can be best described as an authoritarian, mercantile market-state. Bobbitt's vision for the future is not for a democratic peace, rather he sees the potential for protracted novel and terrifying new conflicts in a new Long War. Indeed Bobbitt's ideas preclude any notion of prolonged peace of any type.

Regionalism and Transnationalism and an Australian Market-State

In the speech delivered by Senator Robert Hill to the C.E.W. Bean Foundation Dinner in September 2002, the then defence minister stated that, '...security has become globalised along with economics... [w]e have basically structured our defence force for the defence of Australia yet we constantly ask them [sic] to do other things.' The Minister was in fact arguing for a globalised approach to Australian security expressing his belief that the Defence of Australia (DOA) paradigm did not reflect Australian operational reality. He added that there is little or no prospect of another state attacking Australian territory for the foreseeable future; and that future threats to Australian security will come from 'rogue states' and non-state actors such as transnational terrorists like al Qaeda and its regional franchise, Jemaah Islamiah (JI). These threats are made more acute by the possibility of terrorists and 'rogue states' acquiring weapons of mass destruction (WMD); and thus, according to Hill, in the age of globalisation a global response is required. It follows that the Australian Defence Forces (ADF) must be re-configured to acknowledge this new reality. The speech triggered a debate which has played out in the media between 'regionalists' such as Defence of Australia architects, Paul Dibb and Hugh White, and the 'globalists' or 'transnationalists' represented

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by Alan Dupont and Peter Leahy, the former Chief of the Australian Army. The key point of
difference between the two groups is the relative importance of geography.

The ‘regionalists’ are defenders of the DOA paradigm which places primacy on the defence
of the Australian mainland and the ability to deny a conventional enemy military force easy
transit through the northern approaches. They argued for caution in assessing the
transformative effects of 11 September (and the subsequent terrorist attacks in Bali, Madrid
and London) on the international security agenda. Terrorism is the security issue of the
moment but how long before traditional state based security issues come to the fore, they ask.
Regionalists acknowledge that an attack by another state is a low probability but argue that,
as the consequences for Australia are potentially catastrophic, the ADF must be configured
for defence against direct attack on Australia (DAA) as its core task. The other key aspect of
the regionalist argument is that Australia is a medium-sized power with a modest economy
and a relatively small defence force and cannot afford to have global ambitions and as such
should focus on the Asia-Pacific, in particular its near regions, that is, Southeast Asia and the
South West Pacific. For Dibb, geography determines a threat hierarchy, that is, ADF should
be poised to protect the northern maritime approaches to the mainland and be prepared to
intervene in the Asia-Pacific with priority decreasing as the distance from the mainland
increases.  

A key point of difference between the ‘transnationalist’ and ‘regionalist’ arguments is that the
events of 11 September, the Bali bombings and the bombings in London and Madrid
represent a security paradigm shift. Dupont states:

The indiscriminate brutality of contemporary terrorism is only one aspect of a
broader assault on the conventions that have governed international society for the
past 100 years. The state-on-state conflicts of the twentieth century are being
replaced by hybrid wars and asymmetric contests in which there is no clear-cut
distinction between soldiers and civilians and between organised violence, terror,
crime and war.  

According to Dupont, the ADF should be transformed into a force that contains more high-
value, niche capabilities and additional land forces equipped for a wide range of
contingencies across the threat spectrum that can be dispatched overseas rapidly, with

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120 The Australian, ‘Lots of Bang but No Buck’, 2 May 2009. Dibb expresses satisfaction that the 2009 White
paper brings back sanity to Australian Defence policy with its focus on the Asia-Pacific region, self-
reliance, and a maritime strategy based on denying enemy passage in the air sea gap to the north.

adequate protection, sustainment and command and control. Implicit in this argument is that Australia will contribute to United States led coalitions against transnational threats to international security, as a matter of course.

How does one resolve Bobbitt’s concept of the market-state with regionalism and transnationalism? I would argue elements of each are both at odds and in harmony with a market-state strategic approach but that regionalist approach is fatally flawed. It is a creature of the nation-state era — being based on a narrow geographic determinism. Dibb’s dismissiveness towards the Howard government’s focus on the Middle East is illustrative:

Today’s release of Australia’s first defence white paper in more than eight years marks a return to sanity in our defence planning. There is a focus on the region as the central area of our strategic interests, which was absent from the Howard government's ramblings about the Middle East being more important than our neighbourhood.

This statement simply ignores global security realities in the market-state era, in this case, the systemic threat emanating from the Middle East. The mitigation of the growing ‘Talibanisation’ of Pakistan; stabilising the conflict in Afghanistan and degrading al Qaeda’s continuing operational and containing its spread should be very high on the list of Australia’s strategic priorities. We have already experienced first hand al Qaeda’s deadly influence – its collaboration with Jemaah Islamiah (JI) in Bali. To be sure, assisting Indonesia in ameliorating the JI menace is a high priority but surely so too is assisting the United States preclude a future in which Afghanistan is once again dominated by the Taliban and al Qaeda.

I would argue that the premise at the heart of transnationalism — globalisation has spawned an array of major non-state threats to strong states — generally resonates with Bobbitt’s ideas. Transnationalism is too focused on the shorter term threats of global terrorism and so-called hybrid wars at the expense of future conflict, including war between strong states. Geography, while fundamentally important from a strategic point of view, is now much less of a guarantee of state security, as September 11 and the growing frequency of cyber attacks demonstrate.

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Australian Grand Strategy and its Compatibility with a Market-State Strategic Approach

Is there a traditional Australian grand strategy and will it evolve to meet the realities of an international order dominated by market-states? Michael Evans and General Peter Cosgrove argue that an Australian grand strategic approach has existed since Federation. They contend that throughout Australia’s colonial and post-colonial history its maritime trading status has meant that Australia has had an outward focus and a stake in global stability. For its ongoing economic well-being, it has needed access to a variety of far-flung markets, and given its European origins and parliamentary mode of governance, it has an obvious stake in an international order in which western democratic states dominate.\(^{124}\)

Since Federation, Australia has relied on the pre-eminent maritime power of the day, previously Great Britain and currently the United States, to underwrite its national security. Governments of both persuasions have been prepared to pay a premium for this security by supporting and contributing military forces to British and American military campaigns within the Asia-Pacific, and without. This is particularly so when the conflict has been perceived as a systemic threat, as was the case with both World Wars and the Cold War. Part of this calculus has been to seek to influence the great power’s strategy in Australia’s favour. Evans notes that since World War II, in a series of American-led missions, Australian governments have generally been successful in minimizing ADF numbers participating and casualties suffered.\(^{125}\)

Traditionally, as noted previously, there has been dissonance between Australia’s stated strategy, as articulated most recently in a series of Defence White Papers beginning in 1975, and its operational reality. In other words, Australia’s stated strategy has gravitated between

\(^{124}\) Michael Evans, *From Deakin to Dibb: The Army and the Making of Australian Strategy in the 20th Century*, The Land Warfare Studies Centre, Canberra, 2005, p. 4. Evans argues that since federation, Australia’s defence policy has regularly been marked by a dissonance between its strategic guidance and its operational reality. He states that geographic determinism typified by Dibb’s ‘Defence of Australia’ paradigm has regularly prevailed at the expense of an interests based approach at the strategic level while at the operational level Australia has regularly sent expeditionary forces to global security missions to support its national interests. His prescription is for an interests-based maritime strategy, which translates into a whole of government approach to Australian security. Cosgrove broadly agrees with Evans’ position but argues Australian grand strategy, while not necessarily formalised and regularly in conflict with stated defence policy has, in fact, reflected Australia’s maritime global interests. See Cosgrove, ‘A perspective on Australian Grand Strategy’, p 18-19.

two poles: defence of the continental space versus protection of its interests—usually (and cruelly) described as ‘forward defence’. Since 1975 (the retreat from Vietnam) a continental strategy has officially prevailed. Yet operationally, the ADF and, in particular the Army, has deployed far beyond Australian shores to further Australia’s strategic interests in campaigns including the 1990-91 Gulf War, Somalia, Afghanistan and Iraq in 2003. The unification of official strategy and operational reality, based on the protection of Australian interests and unconstrained by geographic determinism, will be critical to Australian security in the market-state era.126

In terms of its relations with regional states, the fundamental aspects of Australia’s strategic circumstances are likely to remain the same into the foreseeable future. Its liminal status, its relatively small population, and its need for access to world’s markets via extended and potentially vulnerable sea-lanes of communications will remain unaltered. Likewise, Australia’s status as a western liberal democracy with a strong stake in the continued domination of the international system by western notions of governance, economics and sovereignty are firmly established in the public and political elite psyches. Thus, the relationship with the United States is likely to be of enduring importance. Particularly when one considers that, in the longer term, a market-state Australia, quite probably entrepreneurial in nature, will be in a region where major power mercantile-like market-states are likely to predominate.

The United States too has ongoing historical imperative in the Asia-Pacific, that is, to prevent the rise of a peer competitor on the Eurasian landmass, dominating the world’s oceans including the Pacific Ocean; and protect the prevailing economic circumstances that favour its ongoing prosperity.127 The development of a group of mercantile market-states in Northeast Asia, namely China, Japan and South Korea, has the potential to upset the current equilibrium with numerous unwanted potential consequences from an Australian perspective. We have already seen the difficulties for Australia when rivalry flairs between the United

126 Evans, The Tyranny of Dissonance, pp. 96-8.

States, Australia’s major ally and China, its second largest trade partner. In Southeast Asia, the picture is less clear. As noted previously, the ASEAN group of states’ development towards market-statehood, with the exception of mercantilist Singapore, is considerably less advanced than in the North. What is likely though is that Australia’s liminal status in East Asia will continue for some considerable time. These factors must inform Australia’s strategic approach.

History suggests that Australia will play a proactive role in the next epochal war, be it the so-called war against terror or a war over the legitimate form of market-state constitutional organisation. This is likely to be in coalition with like-minded allies, as it did throughout the ‘Long War’ of the twentieth century. Thus, Australia will need to be primed for continual revision of its extant defence policy as recently articulated in the 2009 White Paper, which would include further expansion of the strategic framework beyond that which currently informs it. The very definition of ‘defence’ will need to be broadened to include concepts of resilience, redundancy and preclusion, as mentioned previously and to be discussed more broadly in the chapter 5.

The issue of defence self-reliance is likely to become more important as the world becomes increasingly multi-polar. While the United States is likely to remain the pre-eminent world power in the period until 2030, its power will decline relatively, that is, in relation to the growing power of China, India and other rising states. Complicating this further is the phenomenon of demassification or the dilution of the nation-state’s monopoly over military power. It will become increasingly more likely in the future, that America will be engaged in a range of conflicts such that it will be unable to provide the security guarantee that Australia has relied upon during the nation-state era. Potentially, Australia will need to deter conventional military attack while being prepared for non-military attack by other states, as well as being prepared to act preclusively to remove or mitigate the threat of military and/or

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128 I refer to the dressing down the then Foreign Minister, Alexander Downer received from Richard Armitage in 2004. When visiting China he had the temerity to suggest that Australia would not necessarily provide military support to America in the event of a conflict between that state and China over Taiwan. Armitage and later the then US Secretary of State, Colin Powell, reminded him of America’s expectations of Australia obligations under the auspices of ANZUS.

129 Defending Australia in the Asia-Pacific Century: Force 2030, p. 32.

130 Evans, The Tyranny of Dissonance, p. 94.
non-military attack by non-state actors. It follows therefore that self-reliance includes Australia’s ability project force beyond its territorial waters, ostensibly in order to protect its continental space, offshore territories, and maritime approaches, however I posit, more importantly to protect its interests beyond the confines of geography and into the global security space. This idea appears to have acceptance by both of Australia’s major political parties. Former Prime Minister Kevin Rudd in the 2008 National Security Statement, articulated the need for the development of the ‘...force structure that the Australian Defence Force requires to protect Australian interests (my emphasis) and where necessary operate with our friends and allies’.134

Conclusion

In this chapter, I have demonstrated that Bobbitt’s concept of a market-state (in particular, the entrepreneurial variant’s strategic approach) can inform Australian defence policy. The latest iteration of the state is the market-state that evolved from the nation-state as an adaptation to the forces of globalisation. I have discussed the significance of the market-state’s different forms: managerial, mercantile and entrepreneurial, and how their significant strategic approaches could result in tensions in the international environment that, in time, could foment a new epochal war. I have indicated that there are likely to be variations on these market-state themes; for example, China has many characteristics of what Monk calls an ‘authoritarian mercantile state’, while al Qaeda could be described as a virtual market-state. In addition, I have argued that there is likely to be a group of unassimilated states, akin to Barnett’s ‘Gap’ states, that are in danger of never becoming market-states. It will be from these that more of the future’s major security problems will emanate.

131 We have already seen concrete responses to these possibilities with the Australian government e-security review in 2008 and the subsequent announcement of the commissioning of a National Security Science and Innovation Strategy in the 2008 Australian National Security Statement. Rudd, Address to the Australian Parliament, p. 9.

132 In time, this could include the acquisition capabilities such as the ability to wage offensive cyber warfare.

133 The Rudd government’s 2009 Defence White Paper, while confirming the primacy of defence of Australian territory and its northern approaches, does continue the theme of the Howard government’s ‘defence updates’ in terms of the new global security threats. The White Paper shows that Rudd comprehends the need for Australia to play a global role that will require an expansion of our hard military power. To be sure, the Asia Pacific region has priority but there is a clear articulation for Australia’s need to undertake out of region missions with the United States and other allies.

I have shown that Australia, along with most states of the developed world, is well on the way to becoming a market-state. Furthermore, Australia is likely to have many of the characteristics of the entrepreneurial form — due to its cultural, political and geographical circumstances, in particular, its liminal status within East Asia.

The security environment of the evolving society of market-states is, I have demonstrated, fundamentally different to that of the preceding nation-state one. Indeed, Bobbitt posits in *Terror and Consent* that we have entered into a new Long War against market-state terrorism; noting that market-state terrorism is characterised as being an end to itself rather than a technique.

Al Qaeda is pursuing an objective — the establishment of a global caliphate — that is incompatible with a global system of human rights... Indeed, al Qaeda is reaction to the emergence of the globalized market-states of consent and international regimes of human rights.\(^{135}\)

In addition, market-states will have to contend with a confounding and often interconnected array of security issues including WMD proliferation, intrastate conflict, piracy, cyber warfare and international crime.

In the realist critique of Bobbitt’s market-state theory, I have argued that realist conceptions underpin many of Bobbitt’s ideas are but have been reinterpreted to become relevant for the market-state era. In both *The Shield of Achilles* and *Terror and Consent*, the state remains the key referent and the international order is conceptualised as essentially anarchical in nature. However, Bobbitt’s theory provides temporal depth missing in realist theory by using history to demonstrate an evolutionary process that results state transformation and new international constitutional orders. In addition, another fundamental difference is that Bobbitt sees the domestic aspect of the state as critical in shaping its interactions with other states and entities within the international environment.

In the liberal critique, I have argued that a number of liberal concepts have resonance with Bobbitt’s ideas. He agrees with the idea that institutions do moderate state behaviour but need to substantially evolve to remain relevant to market-states or be replaced with new appropriate ones. Liberal notions of growing state interdependence and cooperation across a range of major state endeavours resonate with a number of his ideas. Nevertheless, he does

\(^{135}\) Bobbitt, *Terror and Consent*, p. 63.
not see the forces of globalisation causing a diminution in the power and centrality of the state in the international system.

The global financial crisis has reinforced rather than diminished the state’s pre-eminent position. State cooperation prevented the global economy from total meltdown. Only the state has the resources to free up capital markets, meaningfully underwrite the banks and write off or buy up toxic assets and so on. Despite the setbacks, the state has never been more wealthy or powerful.

I have shown how regionalism is fatally flawed, while transnationalism is largely in harmony with a market-state strategic approach. Regionalism’s focus on narrow geographic determinism simply does not make sense in a globalised world.

Likewise, I have also indicated that Australia’s grand strategic approach will continue to meet its needs as long as it adapts to meet the exigencies of a market-state international order. It follows that Australia is likely to continue to engage with an American market-state to underwrite its national security, and will continue to pay a premium for this security by supporting and supplementing America’s provision of collective goods.

Finally, I have argued that the ADF will face major new challenges in playing its role in providing security for the Australia market-state. It is under ongoing pressure from government to increase efficiency and economy in all aspects of its operations. It will need to evolve both structurally and doctrinally to meet the challenges of radical new forms of threat to Australian security. This evolution should include a rethink of some of the fundamentals of state security. Defence policy makers should now conceptualise Australian strategy in terms of resilience, vulnerability and preclusion.
Chapter 3

The Australian Threat Environment

In this chapter, I will seek to make sense of the plethora of post-Cold War threats to Australian security. The diversity of threats and the expanding of the security agenda in the last 15 or so years have created a systemic strategic uncertainty — a lack of strategic consensus as to what is the order of threats to global security and thus Australian security. Rod Lyon neatly summarises this dilemma, identifying and categorising the profusion of different analyses relating to threats to state security in the post-Cold War era.¹

I will outline the relationship between historic and current threat perceptions, including how some of the key concerns from the colonial era still resonate in the current day. Indeed, much of the current debate can be framed within the context of the old defence shibboleths: forward and continental defence. A key to reaching some understanding of the potential threats to Australian security is to understand this country’s place in the world. Is Australia, as a medium-sized power, a genuine global player or a pretender who would be better off maintaining a lower profile and constraining its security activities to the maintenance of the stability of its near region, the so-called ‘arc of instability’?² Should Australia defend its interests or its boundaries? Michael Evans has demonstrated that this question has plagued Australian defence planners since federation; and therefore is fundamental to any threat assessment.³ It is also central to the debate between ‘transnationalists’ and ‘regionalists’ and must be coherently resolved.

In terms of a theoretical underpinning, my analysis will be informed by Bobbitt’s market-state theories but will also utilise some fundamental realist tenets. In regards to the latter, there is still validity in the realist characterisation of the international system as anarchic, with the state as the key security actor and the fundamental importance of states’ military forces as guarantors of national security. I posit that realist concepts remain highly relevant

² I refer to the Paul Dibb inspired geographical construct that describes the near region to Australia’s north that includes the Indonesian archipelago, East Timor, Papua New Guinea and the island microstates of the South West Pacific.
³ Evans, *From Doakins to Dibb*, p. 4.
within Australia's greater region, the Asia-Pacific, whose multilateral security architecture is relatively sparse and potential for serious great power rivalry is readily apparent. Bobbitt's work on potential great power conflict between different constitutional forms of the market-state reinforces this perception. I will demonstrate that the region, in particular East Asia, is likely to become home to a significant number of mercantile market-states. These include the potential great powers, China and Japan, as well as South Korea. China, in particular, is of some concern given that it appears to be evolving into an authoritarian form of the mercantilist market-state. It follows that Australia's liminal status is likely to be reinforced if it continues to favour the entrepreneurial form. Likewise, the fact that North East Asia is host to some of the world's most worrying flashpoints — the Korean Peninsula, the Taiwan Straits and the South China Sea — adds further weight to this concern.

The end of the Cold War and the onrush of globalisation have greatly complicated the international picture and have brought into sharp relief realism's (in particular, the structuralist school) limitations as an analytical tool. The expanded security agenda of the post-Cold War world demands a much more flexible and nuanced theoretical approach. While states act fundamentally out of self-interest, what constitutes that self-interest and how it is achieved has changed dramatically. Global terrorism, environmental degradation and climate change are some of the major international issues now firmly established on states' security agendas. These transnational issues are forcing habits of cooperation that were almost unthinkable during the Cold War period and before.

The chapter will assess the potential threats posed by the military forces of selected East Asian states, including non-conventional threats such as WMD and offensive cyber capabilities, in the case of China. In addition, I will assess transnational threats posed by non-state actors such as global and regional jihadists and by so-called rogue and failing states. I will focus on regional great power relations and the potential threats that could arise to Australian security in the event that China, Japan, the United States and India were involved in military conflict. Finally, I will assess Bobbitt's market-state thesis as an alternate framework as to the long-term global threat setting and speculate on the consequences for Australian security.
Strategic Uncertainty: a Major Paradigm Shift or Business as Usual?

I noted in the previous chapter, that according to Lyon there are four main schools of strategic thought in relation to future conflict.4 Lyon provides a useful genealogy but necessarily these are a generalisation and some of the academic views he nominates are perhaps more complex and not so easy classify. The first school comprises those who consider that little has changed since 11 September 2001; that the international system can be characterised as anarchic, states are the main actors and main game remains relations between the great powers. Dibb is a member of this group.5 The second group support the notion of what Lyon calls the new medievalism; that is, the state will no longer have a monopoly on large-scale, organised violence. Non-state actors such as criminal gangs and terrorists will have access to the sophisticated weaponry contained within state armouries, including WMDs and they will use them against states. Dupont subscribes to this view.6 The third school is ‘strategic optimists’, whose view can be summarised as either: the we have seen the end of ideological contest, will usher in a period of prolonged peace or major conflict in the modern, interconnected world will be regarded by states as too costly and thus will become obsolescent. The fourth school is broad and is characterised by ‘strategic pessimism’. Members of this group see major conflict between states as inevitable, resulting from disparate events such as resource shortages, clashes of civilizations and a looming anarchy in the third world.7

I posit that Bobbitt’s market-state worldview intersects with those of the fourth and the second categories’. He proposes in The Shield of Achilles, that market-states like the United States and Britain will have to intervene in a range of intrastate and non-state conflicts while noting the most dangerous threats will continue to come from other strong states.8

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4 Lyon, Alliance Unleashed, pp. 15-16.
5 Dibb, ‘Tinker with Defence Policy and Risk Attack’. Dibb’s view regarding the primacy of defending the Australian mainland from direct attack from another state, in defence policy, is clearly expressed in this article.
6 Dupont, ‘Modern Wars Can’t be Based on Obsolete Battle Plans’. Dupont’s article outlines his view that threats, by and large, do not emanate from strong states, instead a variety of non-state actors will present as the major threats to Australia’s security for the foreseeable future.
7 Lyon, Alliance Unleashed, pp. 15-16.
Lyon claims that this strategic uncertainty is creating disharmony between key members of the Atlantic community of states. The key point he makes is that, currently, strategists are claiming both change and continuity, and that the prospects for the future are at once brighter and darker. The strategic debate covers the spectrum of possibilities and there is the little in the way of certainty.\(^9\) The lack of a common strategic vision in the West is evident in the divide between those states that toppled Saddam’s regime in the 2003 Iraq War, that is, the United States and the United Kingdom and their allies; and those states who opposed the war, led by France, Germany and Russia. In Australia, strategic disharmony resonated in the debate between the so-called the ‘regionalists’ and the ‘transnationalists’.\(^{10}\)

On the other hand, Bobbitt offers a decidedly different explanation for the prevailing strategic uncertainty in *The Shield of Achilles*. His thesis posits the transformative effect of what he calls epochal wars on the international order as well as the states of which it is comprised. The last epochal war, the Long War, he claims was the inevitable result of the struggle for legitimacy by the three organising modes of the nation-state; parliamentarianism, communism and fascism. Bobbitt nominates that the ‘Peace of Paris’, concluded in 1990, formally marked the victory of parliamentarianism and set the scene for the evolution of a new form of state – the market-state. The ‘peace terms’ set out a new constitutional order for the international system based on democratic governance, neo-liberal economics and the observance of human rights.\(^{11}\)

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\(^9\) Lyon, *Alliance Unleashed*, p. 16.

\(^{10}\) The debate has ebbed in recent times but tensions remain. The recent White Paper has done little to ameliorate the seemingly ending dissonance between a defence increasingly configured and regularly used to protect Australia’s national interests in global security tasks versus stated policy of the ADF’s primary task being the defence of continental Australia and protecting its northern approaches against direct attack by other states. In fact, the 2009 White Paper attempts to have a bet each way nominating the key task of the ADF remains the defence of Australia while highlighting the critical importance of its role protecting Australia’s broader national interests many of which are global in scope. To be sure, the 2009 White Paper does not represent a retreat back to the Defence of Australia paradigm; the Rudd government fully embraces the acquisition of significant power projection, including expeditionary capabilities, for the ADF. But it does re-establish the primacy of geographic determinism in defence calculations.

\(^{11}\) Bobbitt, *The Shield of Achilles*, p. 61. Bobbitt identifies the official end of the ‘Long War’ as the November 1990 conference of the Conference on Security and Cooperation in Europe where the 34 members and the USSR met in Paris and signed an agreement providing for parliamentary institutions in all the participating states. This agreement was the ‘Charter of Paris’ which was the centerpiece of the ‘Peace of Paris’, which includes the Moscow and Copenhagen declarations.
It should be noted that the market-state’s evolution is not proceeding in a uniform manner throughout the international system. Its final shape is unclear and it can expect to co-exist, and possibly come into conflict with, nation-states for quite some time. Likewise, the forces of globalisation that are driving market-state evolution are, in addition, generating a backlash within states being left behind in the rush to modernity. The most notable of these anti-modern forces is Islamism, as espoused and exemplified by al Qaeda and Jemaah Islamiyah.\textsuperscript{12}

Other threats abound in the market-state world, some are partially formed and many more are hitherto unknown. Bobbitt asserts that the traditional approaches to security of the nation-state, namely, deterrence and territorial defence have little utility against Islamist militants, narco-criminals and even other states in the age of the internet, widespread access to WMD, genetic engineering and the all-pervasive glare of the global media. Before September 11, he espoused a new strategic modality based on preventative war, pre-emption; vulnerability; and resilience. In this new world market-states will see victory in terms of their continuing survival and viability that is, their ongoing ability to guarantee the personal freedom and economic opportunity of their citizens.\textsuperscript{13}

In the longer term, Bobbitt posits the possibility of another epochal war, between three different constitutional forms of the market-state. War between major states remains the greatest security threat to the international order according to Bobbitt. Each market-state form has significantly different views of sovereignty and strategy for advancing its place in the world. This will generate friction and conflict.\textsuperscript{14} However, he is at pains to point out that major wars like those of the previous century are not inevitable, providing state leaders show vision and forethought.

\textsuperscript{12} Bobbitt, \textit{The Shield of Achilles}, pp.337-8.
\textsuperscript{13} Bobbitt, \textit{Terror and Consent}, pp.198-9.
\textsuperscript{14} Bobbitt, \textit{The Shield of Achilles}, pp. 291, 779. The three forms of market-state have radically different views of sovereignty. The entrepreneurial state articulates a transparent conceptualisation: which means states can forfeit their legitimacy and be subject to intervention by other states if they act including inappropriately. The managerial state maintains that sovereignty may be penetrated but only after UN endorsement whereas the mercantile state holds an opaque conceptualisation, meaning that a state cannot be breached on the basis of internal acts. The United States (entrepreneurial), Germany (managerial) and China (mercantile), respectively, have exhibited general patterns of market-state behaviours in the last decade that conform to these definitions.
The Post-Cold War World

The implosion of the USSR meant that the security paradigm of almost half a century became irrelevant. George Bush Senior’s vision of a New World Order, triumphantly enunciated in the afterglow of the 1990-91 Gulf War, quickly faded as the Americans and their allies found themselves confronting a series of brutal low intensity conflicts. These included the genocides in the Balkans and Rwanda; the failed state anarchy of Somalia; and the re-ignition of the seemingly endless conflict between the Israelis and Palestinians. These ‘uncivil wars’ portended an unsavoury future, in which, the major threat to security would come from weak, rogue, failed or failing states rather than strong revisionist ones. Initially, it seemed that these conflicts could be contained, or in the case of Rwanda and Somalia, were in places of little strategic interest. While appalling in their barbarity, they did not directly threaten the security of the states of the developed world. In reality, the leakage of WMD and missile technology from the Soviet bloc in the aftermath of its demise initially loomed much larger as a security issue. Creative solutions such as the Nunn-Lugar nuclear Threat Initiative, designed to assist Russia decommission its nuclear weapons and to secure its stockpile of nuclear material, were hastily found by the United States and its allies to mitigate the problem. The Nunn-Lugar programme commenced in 1991 and as at January 2010 was responsible for the decommissioning of 7,522 nuclear warheads, 770 inter-continental ballistic missiles, 32 nuclear submarines capable of launching nuclear missile, 155 bombers, 906 air-to-surface missiles, nuclear test facilities, upgrading security at 24 weapons storage depots, and equipping 20 biological monitoring stations throughout states of the former Soviet Union.15

The world is now moving out of its ‘uni-polar moment’. While militarily, the United States continues to dominate the international order as no other power has ever done before, politically and economically its dominance is not so clear-cut. America’s economy is the largest of any single state but it is in relative decline, that is, as a proportion of the world’s GDP. The world is becoming increasingly multi-polar in its power configuration. Power relativities between the United States and rising powers such as China, India and Russia are shifting. China and India both are experiencing economic growth, which is enabling them to modernise and improve their armed forces. Despite America’s entanglement in Afghanistan and recently, in Iraq, and the economic setbacks it has suffered as a result of the global

financial crisis, it is likely to be the pre-eminent world power for at least the next few decades.\(^{16}\)

Strong states such as Japan, Germany, Russia and India and China, who in combination could conceivably challenge America’s dominance, currently appear content to restrict any rivalry to the political and economic spheres. To be sure, China and Russia have taken the opportunity presented by the Afghanistan and Iraq wars to further their strategic influence: Russia in consolidating domination of its near abroad; and, China in positioning itself as a global power and a viable alternative to the United States. Despite this, patterns of cooperation between the major states have generally never been stronger. However, at the time of writing, American and Chinese conflict continues to build over the latter’s mercantilist approach to trade.\(^{17}\) As realists are fond of pointing out, history is replete with extended periods of peace and cooperation between major powers that have concluded with major military conflict. As an addendum to this, I posit that we are starting to see significant conflicts between major states emerge in cyberspace, which is an area that both Russia and China have highly sophisticated offensive capabilities and suits China’s asymmetric strategic approach.\(^{18}\)

Since the end of the Cold War, military conflict has generally taken the form of strong states conducting interventions against weak, failing or failed states and non-state actors. The United States with its global purview has fought a succession of military campaigns including the 1990-91 Gulf War; the Somalia intervention; the intervention to curb Serbian aggression in the Balkans; the current conflicts in Iraq and Afghanistan; and, of course, the wider war on terrorism. Britain has fought alongside America in most of these campaigns and mounted an operation into Sierra Leone without assistance. Russia has fought a prolonged and bloody conflict against Chechnyan secessionists and recently invaded Georgia. France too, has conducted a number of forays into its former colonies. Australia, while hardly qualifying as a great power, has participated in most post-Cold War American campaigns and has conducted a series of significant military interventions in its near region.

\(^{16}\) Defending Australia in the Asia Pacific Century: Force 2030, pp. 30, 32-3.

\(^{17}\) The key issues being the artificially low value of the Yuan relative to other major currencies, including the American dollar; and China’s unwillingness to subject its currency to market forces like most other major economies.

Islamic Jihadists

For many commentators, 11 September was an epiphany. It was in the aftermath of that terrible day, that Americans learned painful lessons about the limitations of conventional military force and economic dominance.\textsuperscript{19} Islamic jihadists represented a challenging problem for the West. The tools, so successful in the Cold War, have little utility. Some groups have global ambitions and the most prominent, al Qaeda, has acquired strategic reach through its expert use of the tools of the age of globalisation.\textsuperscript{20}

The internet enables and empowers non-state actors such as al Qaeda and the global media gives them the oxygen of publicity. As September 11 demonstrated, they are able to reach into the heart of the most powerful states and achieve truly strategic effects. Of course, the great fear is that al Qaeda or successor organisation will obtain and use WMDs against a western mega-city. Though disrupted and somewhat diminished by the American-led campaign against them, al Qaeda and their affiliates have regrouped, evolved and now engage the United States and its allies throughout the Middle East, South Asia, Southeast Asia and Africa. In addition, they have significant grass roots support amongst the Islamic Diaspora scattered throughout the West. Even states such as Russia and China have significant jihadist problems.\textsuperscript{21}

Bobbitt’s assessment of the jihadist threat is perhaps more interesting. He proffers the idea that al Qaeda could be conceptualized either as the first of the market-state era’s terrorist organizations or as a ‘virtual market-state of terror’. In relation to the latter, al Qaeda has a number of features characteristic of the modern state including, ‘… a trained standing army and intelligence cadre, a treasury and a source of revenue, a civil service and even a rudimentary welfare system for the families of its fighters.’\textsuperscript{22} However, it does not have its own territory delineated by internationally recognized borders. Yet it is global in the scope of

\textsuperscript{19} I include nuclear weapons in this description. Unconventional military force is that represented by the likes of al Qaeda and the like. These forces are not constrained by the limitations imposed upon state leaders and their military forces. Their strategic space is unfettered – limited only by their imaginations and determination.

\textsuperscript{20} Lyon, *Alliance Unleashed*, p. 19.

\textsuperscript{21} I refer to the Russian’s Chechnyan problem and the Uighur separatists’ terror campaign in Xinjiang province, formerly East Turkistan.

\textsuperscript{22} Bobbitt, *The Shield of Achilles*, p. 821.
its territorial ambitions in that it seeks to establish a transnational caliphate. Furthermore, it
does make alliances with other states—actual (Afghanistan under the Taliban), virtual (other
Islamist groups) and sub-state groups (Iraqi insurgent groups); and it declares war against
other states such as the United States and its allies.23 Empowered by the tools of
globalization, as noted above, al Qaeda’s main threat is its anti-Western message, which has
resonance with a significant number of Muslims who are sympathetic to the cause. More
worrying, many are willing to become jihadist foot soldiers. The key point, in terms of a
threat to Australian security, is that, ‘…all [states] are subject to attacks by a virtual state
because a virtual state is neighbour to all.’24

Bobbitt’s explanation of al Qaeda as the first of the market-state terrorist organizations is
compelling, it casts bin Laden and his followers as the first of a new species of terrorist: no
longer reliant on a host state, global in ambition, adept in using the tools of the information
age, hungry for WMDs; and virulent enough to represent a systemic threat. Structured like a
multinational corporation, al Qaeda and its franchisees and affiliates have shown remarkable
resilience in the face of America and its allies’ prolonged and fierce campaign.25 That is not
to say, as I discuss in the al Qaeda case study, that the West has not been successful in
containing the threat. Indeed, as I posit later America and its allies have achieved, in market-
state terms, a significant victory.

Within the Southeast Asian region, Australia has experienced first hand the lethality of
market-state terrorism. Jemaah Islamiyah (JI), responsible for a series of bombings targeting
westerners in Indonesia, including the Bali Bombings of 2002 and 2005, shares many of al
Qaeda’s characteristics. Bolstered by a similar interpretation of Islam, it has an elaborate
council structure; a trained cadre of soldiers including a special operations group; a fund
raising wing akin to a treasury, which has even imposed a tax on its members; a strong
administrative structure adept at communicating the leadership’s messages to the
organisation’s grass roots. The bulk of the organisation resides in Indonesia but active cells
reside in Malaysia, Singapore and the Philippines. There are claims that JI has active cells in
southern Thailand, Cambodia, regions proximate to the Bangladesh / Myanmar border and

25 The internet is increasingly the main medium for training particularly as physical training bases become
more difficult and dangerous to use.
even in Australia.\textsuperscript{26} It has similar aspirations for a global caliphate, a logical progression, once a regional one has been established. However, according to Greg Fealy, the primarily focus of its leaders is the formation of an Islamised Indonesian as the concrete first step in their greater ambitions.\textsuperscript{27}

Perhaps most worrying for the West is that while it has been successful in preventing bin Laden and his core leadership group from carrying out another strike on the same or greater scale than September 11, it has been less successful in stymieing the growth of its affiliates and franchises. Nor has it been able to fully mitigate the siren call of the jihadist message to disaffected youth of the global Islamic Diaspora. Home grown jihadists have struck in Madrid and London and it is apparent in both cases, technical assistance and spiritual guidance was received from al Qaeda.\textsuperscript{28} Even Australia has been affected; with terrorist cells disrupted and their members arrested in Melbourne and Sydney.\textsuperscript{29} Nonetheless, while it is significant, it is not systemic in its threat potential.

The brief snapshot of post-Cold War history above, attempts to demonstrate that the forces unleashed during the Long War, including those that comprise ‘globalisation’ have, and continue to, foment the evolution of the international security environment. As a result, the threat spectrum has broadened, severely complicating states’ strategic ‘problematiques’. In the age of globalisation old solutions such as deterrence-based strategies continue to have relevance in relation to interactions between states but have limited utility against new, stateless enemies like al Qaeda, who are very much creatures of the information age. Likewise, we have seen that conventional military tactics and force structures so beloved of western militaries have limited relevance in the asymmetric conflicts of the post-Cold War period. The patterns of half a century of Cold War and its old certainties are now a distant memory. The new challenges are complex, often interconnected and very often obscure in form. I posit that Bobbitt’s explanations offer a way forward, a prism to both assess the melange of threats to state security and form the basis of a strategic approach to mitigate

\textsuperscript{26} Greg Fealy and Borgu, Aldo, \textit{Local Jihad: Radical Islam and terrorism in Indonesia}, Australian Strategic Policy Institute, Canberra, 2005, p. 25.

\textsuperscript{27} Fealy and Borgu, \textit{Local Jihad}, p. 32.


them. I will devote the rest of this chapter to creating some measure of order out of the chaos as well as defining the major threats to Australian security.

**Australia’s Geo-political Space and Historic Threat Perceptions**

How does Australia fit into the global picture? Not easily, as it does not fit neatly into a single region. Nominally, it is an Asia-Pacific state but this is a very broad categorisation with limited security utility. Australia is positioned at the southern reaches of East Asia, and the eastern extreme of the Indian Ocean Region. It is also at the western extreme of the South Pacific, a region comprising small states with minimal strategic weight but is in recent times a source of protracted security problems. Consequently, Australia’s position is complex and subject to the gravitational pulls of several major Asia powers as well as the United States.

Australia has a developed economy and is fundamentally western, both culturally and politically. It has a strong tradition of parliamentary democracy and British common law. Its population is primarily Anglo-Celtic in ethnicity and has more in common with Britain, Europe and the United States than it does with its Asian neighbours. Polls consistently show that the majority of Australian’s do not see themselves as Asian, and nor do their Asian neighbours. The consistent rejection of Australia’s quest for membership of ASEAN being but one indication of this perception of ‘otherness’. The primary focus of Australia’s relationship with East Asia is trade. In terms of its future prosperity, East Asia is critical, particularly North East Asia. In terms of national security, Australia’s historical default is to seek security from East Asia not with it. Its geographical isolation from the western heartland has loomed large and played a significant part in efforts to seek an alliance with the major maritime power of the day, Britain initially, and then since the middle of the Second World War, the United States. As will be discussed in detail in chapter 5, an Australian market-state is likely to continue to align itself with the United States and Britain, which are developing along similar lines.

Looking back throughout the last hundred-plus years since federation, certain geographical and political assumptions, underpinning Australia’s defence policy, have been surprisingly

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resilient. Australia is a European nation within an Asian region, thus it is politically, socially and culturally at odds with its region. The Australian continent is vast and its population is small and is largely concentrated in its southern and eastern reaches. It is resource-rich and it apparently does not have the means to defend itself so therefore must rely on a ‘great and powerful friend’. It follows that either direct invasion or subjugation of Australia must be a tempting proposition for the population rich and relatively resource poor states to the near north as well as revisionist great powers with global designs. The fear of the Asian north has persisted despite the fact that, other than Japan in World War II, no state has attacked the Australian mainland since white settlement. The prospect of waging a land campaign across continental distances in the most difficult of environments and sustaining it by sea and air being too daunting. As was demonstrated by the Russians against Napoleon’s Grande Armee, and later by the Soviet Union against Hitler’s armies, harsh geography cleverly used by a determined defender can blunt and then defeat the advances of the most formidable of military machines. Nonetheless, since white colonisation Australia has sought to secure itself from Asia.\footnote{Evans, The Tyranny of Dissonance, pp. 25 -30. Evans posits that Australia is a liminal state, that is, geographically a part of Asia but not culturally or politically and thus it is suspended between two worlds and having access to both. Turkey is another such state – a secular Muslim state on the threshold of Europe.}

The Australian continent has an area of almost 7.7 million square kilometres, coastline of 25,760 kilometres in length and a population of approximately 22.5 million, as at 31 December 2010.\footnote{Australian Bureau of Statistics Website, http://www.abs.gov.au/ausstats/abs@.nsf/mf/3101.0, 31 December 2010. [accessed 23 June 2011]} The population of predominantly European origins is concentrated mainly in the southeast and southwest of the continent.\footnote{I include Brisbane in my ‘South East’ descriptor.} Australia’s north is sparsely populated, resource rich, contains limited infrastructure and has only two cities of any real significance, namely, Darwin and Cairns. These factors, combined with Australia’s close proximity to Southeast Asia, combine to create unease in the minds of many if not most Australians, including a significant proportion of the political elite.\footnote{McAllister, Representative Views, p. 13. Table 2, shows that 58% of the Australian voters polled, nominated an Asian state as country ‘very likely’ to threaten Australian security sometime in the future. Indonesia was nominated the state most likely to threaten Australia by 28 percent of people in the survey.} The region is at once a source of economic opportunity and vague almost atavistic threats. The menace posed by it has taken
on many guises during Australia’s white occupation and fundamentally continues to shape Australia’s defence policy.

Traditionally, Australia has sought to stop an enemy well short of its shores. In other words, Australia’s defence policy has been premised on assisting the dominant maritime power of the age in conflicts that threaten systemic security. Until the end of the Cold War, this threat was in the form of a revisionist great power. A succession of bogeymen, including imperial Russia in the period prior to World War One; Germany immediately prior to and during World War One; Japan prior to and during World War II; and the threat of ‘monolithic communism’, that is, the combined menace of the USSR and China’ in the period post World War II to the end of the Cold War. Firstly, from Federation to the middle stages of World War II Australia allied itself to Great Britain. From that point to the present, the United States is Australia’s great power protector. The American alliance is now so fundamentally a part of Australia’s defence calculations as to be unchallengeable. This has been and continues to be the majority position for both public and ruling elite opinion, which includes both major political parties.\(^{35}\)

Since World War II, Labor and Coalition governments, almost without exception, have answered the call for support to American military campaigns.\(^{36}\) There is a collective belief that the provision of this support is in Australia’s national interest.\(^{37}\) That is, it is the price that Australia must pay for the United States’ continued support as the ultimate guarantor of Australian security. The ANZUS treaty provides the bedrock for this belief. There is little cognisance, in the public’s mind at least, of the fact that the treaty only makes provision for each party to ‘act’ in time of crisis; and is not a blank cheque for military support.\(^{38}\)

\(^{35}\) McAllister, Representative views, p. 21.

\(^{36}\) Since World War II Australia has supported the US with combat forces in Korea, UK in Malaysia, Vietnam, the Gulf War, Somalia, Afghanistan and Iraq. Significantly when Australia asked for assistance from the US in the East Timor intervention, the Americans were generously forthcoming with the notable exception of combat troops.

\(^{37}\) The national interest was one Prime Minister Howard’s key justifications for Australian involvement in the 2003 US led invasion of Iraq.

\(^{38}\) Security Treaty Between Australia, New Zealand and the United States of America [ANZUSANZUS], AUSTRALIAN TREATY SERIES No. 2, Commonwealth of Australia, 1952, Article III clearly states that the parties will consult with each other if there is a perceived threat within the Pacific Area while Article IV states that the parties would act in the event of an attack on any one of them. There is plenty of ambiguity in both articles and there is a geographic limitation to the Pacific region.
Australia’s Regions and Threats

What then are the current security threats in Australia’s greater region? That is, the Asia-Pacific, which for the sake of this thesis includes the Indian Ocean Region (including the Middle East), East Asia, which in turn is divided into two distinct sub-regions, namely, Southeast Asia and North East Asia; and the South Pacific. I will demonstrate that, for the foreseeable future, it contains few states that have the means to mount a serious conventional military threat against the Australian mainland. This is acknowledged in all Defence White Papers since 1976 until the present. However, I will demonstrate that in the information age, states have new non-conventional means of attacking Australian interests; and that the region, like the rest of the planet, contains a plethora of non-state threats both actual and potential.

I will focus on those regional states that have the military wherewithal to realistically threaten Australian interests. China, India and possibly North Korea fit into this category with their nuclear weapon and ballistic missile capabilities. China and India also have, and will continue to develop the maritime capabilities to threaten Australian sea lines of communications (SLOCs) and, potentially, its offshore territories.\(^{39}\) As the former is evolving into an authoritarian mercantile market-state, it is particularly worthy of more detailed study. Japan’s progress albeit patchy towards becoming a ‘normal’ state; its status as a ‘virtual’ nuclear weapons state,\(^{40}\) its real and substantial military maritime capabilities coupled its potential to evolve into a mercantilist market-state, make it worthy of assessment. In addition, I will also briefly overview the Middle East, the ASEAN group of states and the South Pacific as the loci of non-state security threats.\(^{41}\) Given Australia’s often fraught history with Indonesia, it too will be assessed in reasonable detail. A cursory look at its defence force is justified by the fact that its defence since the aftermath of the 1997 Asian financial crisis it is becoming steadily less capable — it continues to be poorly funded and its inventory is full of obsolete and obsolescent equipment which adds up to little in the way of meaningful power.

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\(^{39}\) Both have substantial fleets of submarines and surface combatants; and well advanced in the development of aircraft carriers. See *Sentinel Country Risk Assessments: South Asia and China and Northeast Asia*, http://client.janes.com/MyAccount/index?com=displayLibrary&display=4&libId=214.

\(^{40}\) Monk, ‘Chinalco and The Party: Go Figure’. Building upon Bobbitt’s work Monk asserts that China can be defined as an authoritarian market-state — one that seeks the benefits of capitalism without democratic governance.

projection capabilities. The key concern, from an Australian perspective, being its ability to assist the government maintain territorial integrity.

**Northeast Asia**

The region is home to three economic giants: China, Japan and South Korea, which are within the top five or six of Australia’s trade partners and thus key to its ongoing economic security. The region is also home to the most recent member of the ‘nuclear club’, North Korea. America is the major regional player and is likely to remain so for the next few decades at least. As there is little in the way of formal security or economic architecture, regional stability has depended on American security guarantees. The formal alliances with South Korea and Japan are underpinned both by the United States’ nuclear umbrella and by the basing of significant numbers of its troops in each country. The American presence in South Korea helps hold in check the threat posed to the South by the North Korean armies massed near the 38th parallel. The American bases in Okinawa help reduce the likelihood of a remilitarised Japan, which in turn placates the Chinese and South Koreans, with their strong memories of the atrocities committed by Imperial Japanese troops prior to and during the Second World War. In addition, America’s Pacific Command remains a potent deterrent against a Chinese invasion of Taiwan.

**China**

By virtue of its nuclear capability and its sheer size of its armed forces, China is the most powerful state in the region. Since embracing capitalism and opening itself to the outside world, under Deng Xiaoping, China has become an increasingly confident and assertive member of the international community. Recently, under the so-called Fourth generational leadership of President Hu Jintao and Premier Wen Jinbao, China has demonstrated a growing sophistication in foreign relations and an increasing exploitation of ‘soft power’. Today, China promotes an image of itself as a responsible status quo power and good global citizen who willingly embraces its growing global responsibilities as a great state.

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42 ‘Country economy and regional information China, Japan and South Korea’, Department of Foreign Affairs and Trade Website, http://www.dfat.gov.au/geo/fs/indo.pdf. [Accessed 23 March 2010]. In terms of total trade for the financial year 2008-9 China was first overall, Japan – third and South Korea – fourth. The United States was ranked third, while the United Kingdom was fifth.
It is a rising power with the potential, at the current rate of growth in GDP, to become the economic equal of the United States within a generation or so.\textsuperscript{43} This assumes China will overcome the daunting challenges it faces in sustaining the current growth rates, namely, balancing the rising aspirations of its vast population, environmental degradation and resource depletion. Wealth polarisation — between its seaboard and its rural regions, chronic water shortages, loss of arable land, waste disposal, to name but a few, are massive and are likely to impact adversely on China’s great power ambitions.\textsuperscript{44}

A significant security issue for the region, and the United States, is the People’s Liberation Army’s (PLA) long-term modernisation programme. Though the programme is seemingly focused on the establishment of a credible military threat to Taiwanese aspirations of independence, the capabilities being developed will give Beijing a growing ability to project power throughout East and Central Asia and into the Pacific Ocean.\textsuperscript{45} By conventional measures, the PLA’s current lack of aircraft carriers is a serious impediment to any major maritime ambitions.\textsuperscript{46} However, the PLA has put in place an ambitious carrier development programme and some considerable effort into developing asymmetric war fighting methodologies as a means of negating America’s conventional military superiority.\textsuperscript{47}

A number of academics, commentators, government officials and political leaders, both in the United States and Japan, view China as a peer competitor albeit one that is biding its time, building its strength for the time that it can challenge the strategic status quo.\textsuperscript{48} In essence,  

\textsuperscript{43} Hale, \textit{In the Balance}, p. 9.
\textsuperscript{44} Hale, \textit{In the Balance}, pp. 26-7.
\textsuperscript{45} \textit{Annual Report to Congress} 2010, p. 29. While still focused on Taiwan, the report notes that China is laying the foundations for a force that will accomplish broader regional and global goals. It should be noted that the PLA is assessed as being to project a modest force of approximately several battalions and a naval flotilla and sustain such a force in low-intensity operation by the latter stages of the current decade. Its ability to deploy and sustain large forces in high-intensity operations far from China is not expected to mature before the end of the next decade.
\textsuperscript{46} China does have a development program whose aim is multiple carrier groups in operation by 2020—see the \textit{2010 Report to Congress}, p. 48. This goal is ambitious based on the current performance, the timeline is possible. It does show serious intent and represents a serious potential threat to Australian SLOCs — could partly explain the government’s goal of increasing the submarine fleet from six to 12 in the next two decades.
\textsuperscript{47} \textit{Annual Report to Congress} 2010, p. 27.
\textsuperscript{48} This is the so-called China threat hypothesis championed most famously by American commentators Richard Bernstein and Ross H. Munro, ‘China I: the coming conflict with America’, and more recently by Monk: ‘Chinalco and the Party: Go Figure’. Hugh White is less convinced. He suggests that one should look at the regional order rather than China’s growing military capabilities. East Asian stability is
American fears are based on the totalitarian nature of China’s governance and the lack of transparency in its military modernisation programme. In addition, there is growing concern at its tendency to mercantilist behaviour. This includes its willingness to maintain cordial relations with unsavoury regimes such as Iran and Myanmar to secure natural resources; blurring of generally accepted boundaries between state and commercial secrets as demonstrated by the recent legal action taken against Rio Tinto employees; setting of its currency at artificially low levels to ensure the cost competitiveness of its exports; and its aggressive use of cyber exploitation and attack.

The economic dimension defines the Sino-Australian relationship. The two-way trade between the two countries stands at AUD $76.356 billion (2008-9), making China Australia’s number one trade partner. Australia primary category of exports is natural resources, including metals, minerals and energy — natural gas and coal. Tertiary education is another highly significant export; more than 140,000 Chinese students enrolled in Australian tertiary institutions in 2009, which is the largest number from any country. A growing quantity of Australia’s manufacturing industry is relocating to China and Australian Foreign Direct Investment (FDI) in Chinese enterprises is AUD $3.87 billion, as at 31 December 2009 and growing. Chinese FDI in Australia in 2009 stood at approximately AUD $3.05 billion.\(^{49}\) China has become the major source of cheap manufactured goods ranging from clothing and footwear to tools to consumer electronics, including televisions and DVD players. It is safe to say that Australia’s future prosperity is tied to continued Chinese economic growth. The size of the trade between the two necessitates the development of multi-dimensional relations including the security concerns. First track relations are extensive and growing, and a security dialogue has commenced.

In terms of security, Australia and China share many concerns and interests. These include fostering of systemic stability and free trade, particularly within the Asia-Pacific. Specifically, there are common concerns regarding Islamist terrorism in Southeast Asia, and the Democratic People’s Republic of Korea (DPRK) nuclear problem. Australia's key security concerns specific to China revolve around Beijing’s relationship with Washington, underwritten by American primacy and while this may change as a consequence of Chinese economic growth it does not necessarily mean conflict.

\(^{49}\) ‘Country economy and regional information China, Japan and South Korea’, Department of Foreign Affairs and Trade Website. The figures for 2008-9 show that China by most key measures is Australia’s largest trade partner.
its fractious relationship with Japan and, to a lesser degree, its growing influence in Southeast Asia and the South Pacific. The American alliance will be reviewed in detail in later but, in essence, the Sino-American relationship is probably Australia’s pre-eminent security concern. Australia has much riding on the maintenance of a relationship of strategic cooperation between the two. America’s concern, some would say obsession, with ideology, that is, democratic governance; and its concern with the value of the Yuan, looms large. However, Taiwan remains the potential flashpoint that could see the United States and China clash in a military conflict. Through the ANZUS alliance, America is likely to demand the commitment of Australian military forces, if such a conflict happened.

The Sino-Japanese relationship, while burgeoning economically is in a security sense fraught. A growing strategic rivalry fuelled by the growth of the Chinese economy and its military power; the festering Chinese outrage at memories of the Japanese-committed atrocities prior to and during the second world war; and the containment potential of the American-Japanese alliance. From an Australian perspective, Japan is Australia’s third most important trade partner and the security dimension of the relationship is growing. It has been formalised with the signing of the Australia-Japan Joint Declaration on Security Cooperation in March 2007 and the commencement in 2006 of the ‘Trilateral Security Dialogue’, which includes the United States. Australia’s awareness of China’s sensitivity in relation to this development was seen by the pangs at which the government took to assure them that the meeting was not the beginnings of a trilateral alliance between the United States, Australia and Japan — designed to ‘contain’ China.\footnote{Country Economy and Regional Information on China and America, America and China are Australia’s two biggest trade partners and a hostile relationship between the two would mean pressure for Australia to overtly side with the United States which, in all likelihood, have an adverse effect on Sino-Australian trade.}

**Chinese Military Capabilities**

Qualitatively, the Peoples Liberation Army (PLA) is not the most technologically advanced regional defence force. This state of affairs is tacitly acknowledged by Beijing’s long term and comprehensive military modernisation programme. The programme is broad-based and seeks to improve the PLA’s professionalism, its training regime, its technological sophistication and its ability to conduct joint operations. While it has made significant

advances in recent years, it acknowledges its technological inferiority to the United States and seeks asymmetric means to overcome this deficiency. This includes exploitation of American reliance on information age technologies for command and control. A major focus of the programme is improvement of the PLA’s command, control, communications and computing, intelligence, surveillance and reconnaissance (C4ISR) capabilities while providing the means to degrade severely a potential enemy’s capabilities in this area.\(^5\) The modernisation programme’s lack of transparency, that is, a clear rationale for the build-up continues to cause considerable concern in the Washington and Tokyo. However, official American analysis acknowledges that its primary focus remains ability to offer credible threat to Taiwanese independence.\(^5\)

The PLA, which includes the navy (PLA-N) and the air force (PLA-AF) and the Second Artillery Corps (strategic nuclear force) comprises some 2,285,000 full time and 510,000 reserve personnel. Each of the services with the exception of the Army has strategic forces.\(^5\) The Second Artillery has 442 strategic missiles comprising 66 inter-continental ballistic missiles (ICBM); 116 intermediate range ballistic missiles (IRBM); 204 short-range ballistic missiles (SRBM) and approximately 54 land attack cruise missiles (LACM). The PLA-N has three ballistic missile submarines (SSBN) which are each capable of carrying 12 submarine launched ballistic missiles (SLBM).\(^5\) The total number of SRBM could be as high as 1250 with the majority targeting Taiwan.\(^5\)

The PLA-N conventional forces include 68 tactical submarines, 78 principal surface combatants and 87 landing ships. Six of the tactical submarines are nuclear powered attack SSNs while the remainder are diesel electric (Han class). The naval air arm has a formidable, on paper at least, 311 combat capable aircraft including 50 bombers, 84 FTR and 108 FGA.\(^5\)

\(^{52}\) Annual Report to Congress, 2010, pp. 5-7, 25. This has been an area of considerable investment since 2000. The PLA has made major gains in space and terrestrial ISR, cyber network operations and counter-space.

\(^{53}\) Annual Report to Congress, 2010, pp. 15-16. This is qualified by the assertion that the PRC is also intent on, ‘[S]ecuring China’s status as a great power.’


\(^{56}\) Annual Report to Congress, 2010, p. 66.

Many of the aircraft that comprise the PLA-N’s FTR and FGA capabilities are antiquated, like so much of the PLA’s military hardware inventory, and therefore difficult to maintain, and less capable than the modern equivalent systems found in many western militaries. Likewise, it has a small number of support vessels, which limits its ability to sustain operations far from its homeports.\textsuperscript{58} On the other hand, the sheer numbers of such weapon systems represent a real capability and a challenge for any potential adversary.

Crucially though, the fixed wing air capability of the PLA-N is land-based and the Chinese are missing the key ingredient for long-range power projection, namely, operational aircraft carriers.\textsuperscript{59} Likewise, it does not have the anti-air warfare, deep-water submarine warfare or the maritime C4ISR capabilities to project significant power for well into the next decade.\textsuperscript{60} The 2010 Report to Congress speculates that the PLA-N still has the rather modest ambition of area denial operations in its territorial waters and slightly beyond, in the short term. On the other hand, the PLA is developing an asymmetric approach to warfare in an effort to offset its disadvantages and turn technologically superior foes’ strengths into weaknesses.\textsuperscript{61} Hence, in the case of the PLA-N, the acquisitions of diesel submarines, anti-ship cruise missiles, numerous varieties of mines and the Russian Su 30MK2 with advanced anti-ship missiles. In addition, the recent acquisition of long-range precision guided munitions and both refuelling and AEW aircraft gives both the PLA-NAF and PLA-AF the means to threaten adversary’s naval and air elements at a considerable distance.\textsuperscript{62}

The PLA-AF has around 1687 combat capable aircraft of which 411 are fourth or 4.5 generation fighters — Russian-built SU-27s and Su-30MKKs and domestically manufactured J-10s and J-11s. These are easily the most capable PLA aircraft has for the maritime role. The remainder are either obsolete or out-dated. In addition, the PLA-AF has approximately 82

\textsuperscript{58} Annual Report to Congress, 2009, p. VIII.

\textsuperscript{59} The PLA-N’s carrier project 9935 with its stated aim of having three carriers, modelled on the Russian Admiral Gorshkov design, operational by 2010 has obviously not been achieved. According to the 2010 Annual Report to Congress (p. 48) there is a range of opinions regarding Chinese progress in developing a carrier capability, and suggests that a single carrier group could be operational as early as 2015, with the prospect of multiple carriers operational by 2020.

\textsuperscript{60} Annual Report to Congress, 2010 p. 29.

\textsuperscript{61} Craig A. Snyder, China’s Conventional Military Modernisation, paper presented to IRAPRU (UQ) ASPI workshop, 17-18 October 2003 pp. 1-2.

\textsuperscript{62} Annual Report to Congress, 2010, pp. 29-31. See also Snyder, China’s Conventional Military Modernisation, p. 2, and
bombers and 120 attack aircraft, some of which are probably capable of carrying LACM. The PLA-AF’s extremely limited strategic and tactical airlift capability resides in a mix of 336 aircraft of mainly Russian design. Most of the fleet are either ancient, short-range aircraft of limited capacity or are civil passenger carriers rather than true military aircraft. The PLA-AF has only 10 air-to-air refuellers and eight AEW & C aircraft.\textsuperscript{63} So in terms of enablers, that is, capabilities that improve command and control and extend its reach, the assets available to the PLA-AF are very modest, particularly in comparison to those of the United States. It remains very much a regionally focused force.

The PLA, while enormous in size, has many of the problems of the PLA-AF and the PLA-N. Much of its equipment is obsolescent. For example, of its 7,050 main battle tanks (MBTs) approximately 4,300 are the 1950s vintage, Type 59. Most of the remaining MBTs are based on the Russian T-72 and T-80 and while substantially modernised, their ability to match it with contemporary western MBTs such as the American Abrams and the British Challenger is questionable.\textsuperscript{64} The Type 99, of which the PLA has only 200 largely, due to its high cost per unit, is a third generation MBT.\textsuperscript{65}

The PLA’s expeditionary capability comprises two amphibious infantry divisions, three marine brigades and several special operations groups. Its naval lift capability is quite restricted and would need to be supplemented by extensive use of civilian vessels in an invasion of Taiwan, for example.\textsuperscript{66} In addition, it has a significant airborne capability comprising three airborne divisions and qualitatively, the 2009 Report to Congress states that airborne training has become more sophisticated.\textsuperscript{67} However, the PLA’s and PLA-AF’s airmobile capabilities are limited. At the time of writing, entire rotary wing transport fleet

\textsuperscript{64} Chapter 6 Asia, The Military Balance, 2011. Website, pp. 231.
\textsuperscript{66} The 2009 Report to Congress indicates that there are two and two respectively, equating to 25000 personnel and 200 tanks.
\textsuperscript{67} Report to Congress 2009, p. 30.
equates to 301 helicopters of various types. This is a significant mobility shortfall, limiting the PLA’s ability to rapidly manoeuvre.

**Professional Mastery, Combined Arms, ‘Jointery’ and Expeditionary Warfare**

Considerable effort to professionalise and qualitatively improve the PLA has been undertaken. Numerous institutes and academies to improve the military education of officers have been created. Numerous academic papers and larger publications have appeared, an indication of academic debate and doctrinal development typically found in western defence forces. There has been much discussion in the PLA about the lessons learned from the Gulf War, 1999 Serbian Campaign, and Afghanistan and Iraq invasions. Senior PLA officers were impressed by these American operational successes and noted the role played by high technology. They understood the importance of precision weapons, computer enabled command and control, systems that facilitate situational awareness. They also comprehended doctrinal concepts such as joint and manoeuvre warfare—high tempo, information operations designed to create paralysis in enemy command structures. The PLA’s response has been an ambitious modernisation programme, which incorporates acquisition of high technology weaponry, electronic command, control, intelligence, surveillance and reconnaissance systems etc with doctrinal development.

Fundamental to any development of a modern war fighting capability is the mastery of combined arms (the seamless cooperation between the ground forces arms and services (infantry, armour, artillery etc) and joint operations (the seamless cooperation between naval, ground, air and, in the Chinese circumstance, strategic forces). In military circles, these capabilities are referred to as ‘force multipliers’. Their acquisition and mastery are essential for the PLA to catch up to the West’s military forces professionalism. In recent times, western observers have noted that the PLA regularly conducts exercises in which ground forces practise combined arms operations as well as observing ground, naval and air forces training together and seemingly practising joint operations.

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68 ‘Chapter 6 Asia’, The Military Balance 2011 Website, pp. 231, 234. The figure does not include naval helicopters. By way of comparison, the US Army and US Marine Corps have 2270 and 436 transport helicopters respectively.


70 *Report to Congress 2009*, p. 15. See also Snyder, *China’s Conventional Military Modernisation*, p. 2, and Andrew Davies, *A view of China’s White Paper, Australian Strategic Policy Institute, Canberra, 24 March 2009*, pp.3-4
Another hallmark of capable military forces is the ability to conduct expeditionary warfare — the ability to project military force. That is, transport and support a military force comprised of ground, sea and air elements to conduct an operation far from the homeland. The United States has this capability par excellence. Britain and France have much lesser but nonetheless, significant expeditionary capabilities while Australia has a small but effective capability. For the PLA, an expeditionary capability is fundamental to its ability to maintain a credible threat to Taiwanese independence. According to the 2009 Pentagon Report to Congress, the PLA expeditionary forces comprise three airborne divisions, two amphibious infantry divisions, two marine brigades and seven special operations groups. Qualitatively, they are improving in terms of equipment, tactics and combined operations. The report notes that, ‘Over the long term, improvements in China’s C4ISR, including space-based over-the-horizon sensors, could enable Beijing to identify, track and target military activities deep into the Western Pacific.’ It is reasonable to assert that the PLA remains a long way behind the United States, the United Kingdom, France, and even Australia and Canada in its ability to undertake expeditionary warfare. Therefore, its ability to directly threaten the Australian mainland remains minimal. However, its ability to threaten Australia’s access to sea lanes is significant and growing.

**The Asymmetric Threat**

Perhaps most significant area of China’s ongoing military modernisation for Australian defence considerations is its development of an asymmetric strategic approach to warfare that relies heavily on capabilities such as cyber warfare. Certainly, this is an area of major concern for the Pentagon. According to the 2010 Report to Congress, quoting Quadrennial Defense Review 2010, this development has the potential to threaten the United States’ conventional military advantages. Colonel Charles E. Williamson agrees. In his April 2008 Armed Forces Journal, article he states that:

> We are in one (an arms race), and we are losing. Gen. James Cartwright, then-commander of the U.S. Strategic Command, testified for the 2007 Report to

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72 Report to Congress 2010, p. 1. The report notes that the 2010 Quadrennial Defense Review (QDR) Report states, ‘China is developing and fielding large numbers of advanced medium-range ballistic and cruise missiles, new attack submarines equipped with advanced weapons, increasingly capable long-range air defense systems, electronic warfare and computer network attack capabilities, advanced fighter aircraft, and counter-space systems.’
Congress of the U.S.-China Economic and Security Review Commission that analysts think China has the world’s largest denial-of-service capability.\textsuperscript{73}

James Mulvenon in *The People’s Liberation Army in the Information Age*, describes China’s interest in Information Warfare (IW) as a potent asymmetric weapon that could enable it to defeat a technologically superior enemy. He notes the establishment of a number of IW centres of excellence within the PLA as indicative of the seriousness of the Chinese intent. He argues that the Chinese view the United States’ heavy reliance on electronic information systems as its ‘Achilles Heel’.\textsuperscript{74} He also makes the claim that when one assesses the Chinese writings on IW that the following concepts feature strongly: the defeat of a technologically superior foe; IW as an unconventional warfare weapon; and the notion of winning an IW campaign without recourse to military action leads to the conclusion that PLA thinkers see IW as a pre-emption weapon. The Chinese favour an offensive form of IW that is not confined to cyberspace and the electromagnetic spectrum. It incorporates physical attack on command and control nodes, ports and airports.\textsuperscript{75} Thus, the Chinese acquisition of deep strike capabilities including the acquisition of stealth technology, refinement of the PLA’s C4ISR infrastructure and the acquisition of long-range precision guided munitions are effectively adjuncts to the IW based strategy.\textsuperscript{76}

The 2006 *Report to Congress* notes the comments by PLA Major General Zhu Chenggu, a dean at China’s National Defence University. In July 2005, Zhu stated that China should strongly consider recourse to the use of nuclear weapons in the event of a major conventional attack by technologically superior enemy against Chinese territory — a thinly veiled reference to a possible United States intervention in a future conflict with Taiwan. While his comments were officially rejected and China’s official commitment to its ‘no first strike’

\textsuperscript{73} Charles E. Williamson, ‘Carpet Bombing in Cyberspace: Why America needs a Military Botnet’, Armed Forces Journal Website, http://www.armedforcesjournal.com/2008/05/3375884/. [Accessed 18 June 2008]. Williamson describes the current American approach to operations in cyberspace as a ‘Fortress mentality’. A ‘botnet’ is a means of generating massive amounts of Internet traffic which can be directed at a relatively small number of targets rendering them ineffective. He contends that this offensive capability would be both a deterrent and a means to meaningfully respond to the threat posed by China’s cyber attack capabilities.


\textsuperscript{75} *Report to Congress* 2010, pp. 27-31.

\textsuperscript{76} Cordesman and Kleiber, pp. 24-9.
policy was reiterated, Zhu’s comments are indicative of an ongoing strategic debate on the use of WMD among key PLA commanders.\textsuperscript{77}

Also noted in The 2006 Report to Congress also notes the Chinese efforts going into the development of space-based C4ISR and ‘new concept weapons’ that include laser and radio frequency (RF) weapon systems:

PRC officials have publicly indicated their intent to acquire RF weapons as a means of defeating technologically advanced military forces. Chinese writings have suggested that RF [radio frequency] weapons could be used against C4ISR, guided missiles, computer networks, electronically-fused mines, aircraft carrier battle groups, and satellites in orbit.\textsuperscript{78}

Weapon systems like these would facilitate a highly problematic asymmetric strategy, difficult for the United States and its allies to counter.

In January 2007, China caused a major international incident when it conducted a test in which one of its obsolete low altitude satellites was destroyed by a modified ICBM (minus nuclear warhead). The satellite was orbiting at approximately 800 kilometres from the earth’s surface, which is the region of space home to many of the United States spy and missile defence system satellites.\textsuperscript{79} The test was roundly condemned by western governments most notably the United States (who had last conducted a similar test in the 1980s), Britain and Australia. Then Foreign Minister, Alexander Downer suggested that Australia would be concerned if an arms race developed in space.\textsuperscript{80} This is the key issue, the ‘militarisation of space’. In addition, the strike created large quantities of potentially dangerous space junk, capable of seriously damaging to other states’ satellites or space craft.

Why conduct the test? Perhaps China desired to demonstrate its technical ability and possession of a latent capability, which was a signal to the United States regarding Beijing’s ongoing concern at America’s continuing development of a ballistic missile defence (BMD)

\textsuperscript{77} Report to Congress, 2006, p. 36.
\textsuperscript{78} Report to Congress, 2006, p. 34.
\textsuperscript{80} The Age (Melbourne), ‘World fury at satellite destruction’, 20 January 2007.
system. Its fear relates to the true motivations behind BMD, that is, is the system really for stopping rogue regime launched missiles or is its real intention the rendering irrelevant of the Beijing’s modest ICBM force? The PRC has demonstrated its ability to kill the satellites on which an American BMD system would be heavily reliant. Another view proposed in the Washington Post article of 19 January 2007, described the test as a signal to the Pentagon that it doesn’t own space and that the PLA is well aware of the American reliance on space for military communications and reconnaissance and sees this as a critical vulnerability. This capability represents another impressive tool in China’s asymmetric arsenal.

Unconventional Warfare

Interestingly, given the PLA’s strategic tradition of ‘People’s War’ and the obvious lessons from the recent insurgencies in Afghanistan and Iraq, there is no mention of an extremely effective mode of unconventional warfighting, that is, the direct or indirect strategic use of insurgency-style warfare including terror tactics, in 2010 Annual Report to Congress. The 2006 Report to Congress did note the PLA’s growing Special Forces capability, in which such a capability would logically reside. It is expected that in the event of a major conflict with Taiwan, large numbers of ‘fifth columnists’ would undertake subversive operations including sabotage of key facilities and infrastructure, spreading of disinformation, ‘[w]ith the primary objective of exaggerating the numbers of PLA troops already on the island,’ and perhaps political assassinations. Similar tactics in theory could be attempted in any state with a significant Chinese Diaspora or student population. Likewise, as was the case in the Vietnam War, where both China and the Soviet Union engaged in war by proxy against the United States by supporting the North Vietnamese; economic and the military support of a third party against a strategic rival is a time honoured practice not assessed in 2009 Report to Congress. Given the state of relations between the China and the United States and the former’s focus on economic development, it is unlikely that China would engage in such activity for the foreseeable future.

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82 Kaufman and Linzer, ‘China Criticised for Anti-Satellite Missile Test’.

**Chinese Containment**

A potential danger to Australian security is the possible evolution of an American/Japanese Chinese containment strategy. This brings with it the possibility of the spawning of a self-fulfilling prophesy, namely, forcing China down the ‘wrong branch of the strategic crossroad’. This could see a new Cold War with China devoting a much bigger slice of its GDP to defence spending and attempting to match or counter key American and Japanese military capabilities. China is becoming an increasingly more formidable opponent. It is acquiring a range of sophisticated information age capabilities that are augmented by its rapidly developing technological base. The PLA is growing more professional and devoting considerable energy and resources to developing the intellectual infrastructure capable of developing an asymmetric strategy, which would perhaps give it the means to seriously challenge a technologically superior opponent. The adoption of an asymmetric mode of warfare by a major state as opposed to weak non-state actor is, I would posit, a great unknown with the potential to make conflict with the PRC a difficult and highly dangerous proposition.

**China – an Authoritarian Mercantile Market-State?**

The Chinese Communist Party (CCP) fosters strong relationships with private corporations — many of the state’s corporate chiefs are members of the CCP. Obviously, it controls and directs State Owned Enterprises (SOE). Writing in *The Australian*, Monk discusses the SOE, Chinalco’s attempt to buy a share of Rio Tinto, he argues that many western business leaders naively view China’s relationship with its SOEs as analogous to the Japanese government’s relationship with that country’s mega corporations. The relationship is quite different, SOEs work towards government-defined objectives. While most major states have global resource strategies, and it is right for China to have one; its strategy is opaque: ‘the problem lies in the precise mechanisms through which that strategy is being implemented: state-owned resource companies, state-owned financial institutions and state-owned military enterprises — all run by a secretive and dictatorial Party.’

The key here is that the CCP has jettisoned communist ideology in relation to its economy and has staked its credibility on its ability to deliver economic growth. It fervently hopes that

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84 Monk, ‘Chinalco and The Party: Go Figure’.
it will continue to improve the lot of all its citizens, particularly the vast group that comprises the rural poor. This is central in the CCP’s efforts in maintaining Chinese social stability and thus ensuring its own survival. As noted, Monk posits that China is evolving into an authoritarian mercantilist form of market-state.\(^{85}\) Therefore, it simply cannot accept post-modern notions of ‘transparent’ sovereignty with its emphasis on individual human rights and unfettered flows of information. The CCP walks a tightrope: it wants to establish an information economy but wants to limit the population’s access to certain types of information while maintaining its ability to monitor the Chinese people’s access to information, particularly the internet.\(^{86}\) It needs to control and/or suppress certain types of information to maintain its grip on Chinese society. The recent travails of Google in China are illustrative. Google’s decision to shut down its Chinese business was a direct result of the Chinese government’s intransigence in relation to internet censorship.\(^{87}\)

China continues to develop an asymmetric warfighting strategy whose objectives are opaque but it is known that the PLA contemplates the use of terrorism, WMDs, anti-satellite weapons, electronic warfare and cyber warfare against a technologically superior enemy.\(^{88}\) This secrecy in relation to its long-term intentions does little to allay the suspicions of other states, in particular the United States and Japan and is symptomatic of authoritarian mercantilist behaviour. Bobbitt also predicts that, given this form of market-state’s cultivation of self-sufficiency, it will be better at enduring conflicts and resource depletions. However, its unwillingness to join with other states in cooperative security arrangements — unlike managerial and entrepreneurial states — means that it will be

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\(^{85}\) Monk, ‘Chinalco and The Party: Go Figure’; Bobbitt, The Shield of Achilles, pp. 283, 671-2. The mercantile market-state has a strong central government that protects local industries, subsidizes research and development and attempts to ‘pick winners’; it will favour certain industries and corporations. A small number of mega-corporations will come to dominate the domestic economy, and there will be close cooperation between these corporations and the government bureaucracy. In general terms, it favours the collective at the expense of the individual and is willing to restrict individual choice for the betterment of society. It fosters high levels of employment within society to maintain social cohesion but does so at the expense of efficiency.


\(^{88}\) Senior Colonels Qiao Liang and Wang Xiangsui of the People’s Liberation Army (PLA) in their book Unrestricted Warfare, published in 1999, articulated this concept. The book received tacit approval by the PLA. See Greg Sheridan, The Australian (Sydney), ‘Beijing’s Army of Spies Casts Wide Net’, 28 March 2009. Sheridan overviews recent cyber attacks on a host of other countries embassies that emanated from China.
vulnerable to being isolated by other states working in concert. It follows that it will seek sufficient military capacity to militate against this prospect which China appears to be doing within the guise of its PLA modernisation program.

China is extremely active in the cyber realm where it has a clear advantage over most other states, with its vast pool of cyber specialists. It attempts to garner intelligence, like many states, via this means and is active offensively. There have been many cyber attacks traced back to computer networks in China against targets ranging from private corporations, to NATO and foreign ministries including the American State Department. United States’ Secretary of State Hilary Clinton and President Obama have recently delivered strong warnings regarding the freedom of a state’s information and the sanctity of its information infrastructure. These and many other examples are indicators, I posit, of a growing conflict in cyberspace between China and the United States. Add to this, growing American and Chinese tensions in the economic sphere primarily in relation to the advantage the latter’s undervalued currency gives it. One can contemplate a time in the not too distant future when an entrepreneurial market-state America and an authoritarian mercantile market-state China come into sharp conflict as a result of a growing political and economic divide as profound as that between communism and democracy in the previous century.

This presents a major dilemma for Australia foreign policy, given its strategic relationship with the United States and the importance of its economic relations with China to its ongoing prosperity. I posit that Australia’s likely evolution into something approximating the entrepreneurial form of market-state offers a way of managing these circumstances. Unlike the great alliances forged by nation-states during the Long War, market-states can act with greater tactical flexibility. They will act more in the many of today’s multinational corporations: bluffing, changing partners, and using third party (both state and non-state) intermediaries to generate deception and offer compromise. Thus, assuming reasonably adroit statesmanship, the greater flexibility offered by a market-state international order

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91 Bobbitt, *The Shield of Achilles,* p. 293.
offers Australia considerable room to manoeuvre within context of its security relationship with the United States.

**Taiwan**

Taiwan is a major regional flashpoint and has the potential to bring the United States and China into military conflict. This scenario represents a major potential threat to Australian security. China’s nation-state attitude to eventual re-unification is uncompromising and America is committed to the peaceful resolution of the China-Taiwan dispute, which is codified in Congress’s Taiwan Relations Act (TRA). The TRA also contains a provision for the United States to sell advanced military hardware to Taiwan with which to defend itself against PRC aggression. Roy argues that the dispatch of two carrier groups to the vicinity by America during the 1996-6 Strait crisis was an ‘explicit statement’ of its intent to intervene in the event of Chinese invasion or other military coercion.\(^{92}\)

The implications in relation to a conflict between China and the United States over Taiwan are, arguably, Australia’s biggest security nightmare. As noted above, the economic relationship with China is critical to Australia’s future prosperity. China is our largest trade partner and fast becoming our most important.\(^{93}\) The United States, arguably our most important trade partner and key ally, has strong expectations of significant Australian support in any military campaign against the Chinese.\(^{94}\) The force requirements would be very similar to those outlined in the discussion on the DPRK below. Depending on whether the conflict escalated beyond a naval, air campaign, Australia would be expected to provide an expeditionary force that, in addition to significant naval surface combatants and submarines would probably include combat aircraft, mechanised battle groups and Special Forces. Such a campaign, given its proximity to the Chinese mainland and PLA’s focus on Taiwan, would come with significant risk and a likelihood of major casualties.\(^{95}\)

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\(^{93}\) Malcolm Cook and Meer, Craig., *Balancing Act: Taiwan’s Cross-Strait Challenge*, Lowy Institute, Sydney, 2005, p. 6.

\(^{94}\) Cook and Meer, *Balancing Act*, pp. 6-7. In a speech in 2001 Richard Armitage made very clear the American expectations regarding Australia’s involvement in a conflict with China over Taiwan.

\(^{95}\) *Report to Congress 2010*, p. 29. The PLA’s military modernisation programme is focused on its ability to constitute a credible threat to Taiwanese independence.
The eventual peaceful re-unification of Taiwan and China, based on the Hong Kong model of ‘one country two systems’, is probably the best outcome for an Australian market-state. This would result in minimal disruption to economic relations with both states and, most importantly, avoid confrontation between the United States and China. To facilitate this, middle power Australia’s primary recourse is diplomacy — leveraging its significant relationships with both major powers. This is, to be sure, not a significant departure from the approach of an Australian nation-state’s to this problem. However, as an entrepreneurial market-state, Australia will have growing flexibility in its relations with both states. It can allow the American alliance to atrophy or seek to re-define it in more flexible market-state terms. A new emphasis on the obligation ‘to consult’, in relation to a security issue within the Asia-Pacific, could be a starting point.\(^\text{96}\) In the worst case, Australia can re-interpret American expectations of Australian military involvement in a possible future conflict with China. This is something at which Australia has shown considerable adroitness, as its relatively minor participation (and low casualty rates) and yet significant influence in the wars in Afghanistan and Iraq demonstrate.

**North Korea**

The regional balance in Northeast Asia remains threatened by the destitute North Korean regime’s desperate, nuclear-based survival strategy. Economically bankrupt and heavily reliant on aid from China, South Korea and Japan, the DPRK is at once a force for regional destabilisation and stabilisation. The DPRK is characterised by some commentators as ‘crazy’, erratic, unpredictable; and missile tests in 1998 and 2006, and the nuclear test of October 2006 add some weight this claim. There are fears that the crisis will trigger a regional arms race with the Japanese and South Koreans acquiring a nuclear deterrent and conventional force projection capabilities to enable pre-emptive strikes against DPRK nuclear and ballistic missile sites.\(^\text{97}\) This in turn could encourage the Chinese to expand their strategic nuclear capabilities. In addition, Japan is investing in the development of a theatre missile

\(^{96}\) *Security Treaty Between Australia, New Zealand and the United States of America* [ANZUSANZUS], AUSTRALIAN TREATY SERIES No. 2, Commonwealth of Australia, 1952, See Article III.

defence (TMD) system, a development that the Chinese view with extreme suspicion. On the other hand, the Six Party Talks have had a normative effect of encouraging patterns of cooperation between Beijing, Washington, Tokyo and Seoul.

What is certain is that the combination of an insular and suspicious regime, totally committed to its own survival; an economy in tatters; a massive conventional military force poised ready for invasion of South Korea; and a nuclear weapons capability is a highly volatile mix. The potential for military conflict with the United States is real. The ANZUS treaty and American expectations of Australian assistance would equate to the probability of an Australian commitment to an air campaign, which could either be the limit of American actions or the precursor to a ground offensive. Assuming the North Korea air force was swept from the sky, the ground phase would commence only after the thorough attrition of key DPRK ground forces, that is, the command and control nodes, armoured formations, conventional artillery, ballistic missile and possibly nuclear sites. A ground campaign would be extremely difficult and dangerous, given the complicated terrain of the Korean Peninsula and the likelihood that much of the massed armoured forces of the DPRK army would survive the air campaign. In all likelihood, there would be significant pressure on Australian government to provide one or more mechanised battle groups.

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98 ‘China’s Opposition to US Missile Defense Programs’, Nuclear Threat Initiative Website, http://www.nti.org/db/china/mdpos.htm. [Accessed 9 March 2007] Chinese concerns include: provision of TMD-related missile technologies to Japan such as propulsion and guidance systems could contribute to a Japanese offensive ballistic missile program; it may spark an arms race between China and Japan; foment Japanese re-militarization; and cooperation of TMD represents a qualitative upgrading of the US-Japanese alliance.

99 According to the 2006 Military Balance there are 1,106,000 regulars and 4,700,000 reservists in the DPRK’s armed forces. The army has 4,500 albeit largely obsolete tanks, 17,500 artillery pieces of various types and 60 plus tactical missile launchers. The air force has 590 combat capable aircraft comprising 80 BBR, 299 FTR and 211 FGA. The navy has 88 tactical submarines, nine principle surface combatants and 301 coastal and patrol combatants. While most of the equipment is out-dated and there is little hard information on its serviceability, it represents vast combat potential within the context of waging war on the peninsula.

100 Author’s military opinion.

101 This assertion is based on the premise that the Australian Army’s two mechanised battalions would be available and fully equipped. Each would be the foundation of a mechanised battle group which in turn can be supplemented by Abrams tank squadrons, artillery batteries, armed reconnaissance helicopters (ARH) etc. These formations are capable of fighting in the medium intensity battle space that is likely in a conflict on the Korean peninsula. The Americans, of course, know this and would request their presence, along with the requisite special forces, utility helicopters and other useful ADF assets.
Japan

Japan, the only state to have attacked the Australian mainland and the raison d’être for the ANZUS alliance, can be readily discounted as a direct threat to Australian security. Since its defeat in World War Two, it has embraced democratic governance, of a sort, and free-market economics — becoming one of the world’s most economically successful states though much of the gloss of the ‘Japanese miracle’ has come off as a result of the stagnation it has experienced since the beginning of the 1990’s. Like Australia, its ultimate security is underwritten by an American alliance. Australia and Japan have been major trading partners for decades and have recently begun to formalise their security relationship.\(^{102}\) The threat that the Japanese state poses to Australian security is indirect and based on its fractious relationship with China. As China’s regional influence grows, Japan’s there is the prospect of increasing strategic rivalry between the two.\(^{103}\)

While Japan’s defence spending has been voluntarily capped at less than one percent of its GDP, its military forces are formidable, comprising approximately 244,000 active and 8,000 reserve personnel. The Japanese Self-Defence Force’s (JSDF) power projection capabilities includes: 19 SSK submarines, 49 major surface combatants, some Special Forces, 315 multi-role fighters, comprising: 85 locally built F-2 and 157 F15s and 73 elderly F-4 EJ Phantoms; and from the army a 4,200 rapid response force. It does not have aircraft carriers, ballistic missiles or cruise missiles. Its lift capability is tactical rather than strategic, being limited to 29 landing craft and 26 locally manufactured C-1s, 16 C-130Hs and nine other aircraft of various types. In addition, the Japanese Air Self-Defence Force has 17 AEW & C aircraft and its power projection capabilities were significantly enhanced by the recent acquisition of four air refuelling aircraft.\(^{104}\)

It has expanded its scope of operations in recent years with a greater contribution to UN peacekeeping and has provided logistic support to recent American naval operations and most


\(^{103}\) Kelly, *The Australian*, ‘Warming Up to Tokyo’.

notably, military engineering forces to the reconstruction effort in Iraq. Its security focus is the Northeast Asian region, that is, the dual threats posed by North Korean nuclear and ballistic missile capabilities, and China’s military modernisation programme. In response to the former, the Japanese have put in place a constellation of military satellites and is developing, in conjunction with the United States, a theatre missile defence (TMD) system. Furthermore, its political leaders have recently made constitutional changes that would allow it to become a more ‘normal’ state and play a greater role in international security. This includes serious discussions relating to tactics of pre-emption and a China containment strategy. The latter is a result of Japan’s deteriorating relationship with China, which as noted above, is in its own right is a major cause for concern for Canberra. As the security relationship matures between Australia and Japan and is increasingly formalised, Australia could face the unpleasing dilemma of having to choose sides in the event of a conflict with one of its two top three trading partners against the other.

Despite the tensions created by October 2006 nuclear test by the North Koreans, the efforts of the Americans to encourage greater security ‘burden-sharing’ and the assertive and confident governments of Koizumi and his successor Abe, Japan is still a long way off from becoming a ‘normal state’. Japan will have to rewrite its constitution and overcome the enshrined pacifism residing within its civil society to become a true great power or even a major power — commensurate with its highly evolved economy and its sophisticated manufacturing base including its nuclear power industry; and the significant offensive military capability residing in its defence forces. Japan’s remains a key trade partner for Australia and the confluence of its security concerns with those of United States regarding the rise of China are likely to colour the evolving security relationship between it and Australia.

There was some speculation that a China containment strategy was being discussed in a ministerial level tripartite security meeting between Japan, Australia and America in

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105 Paul Kelly, *The Australian* (Sydney), ‘Security Accord Flags New Japan’, 13 March 2007. Howard visited Japan in March 2007 to sign a formal security agreement with his Japanese counterpart. The agreement encompasses greater military cooperation, intelligence sharing, cooperation in aviation and maritime security and counter-terrorism. It is the only such bilateral treaty Japan has signed other than the pact with the US. It is another major step in Japan’s normalisation process with significant consequences for Sino – Japanese and Sino – Australian relations.


Canberra in March 2006. A confluence of Japanese and American strategic concerns on China’s rise has the potential to turn a highly significant yet incipient security issue into something much more serious. Any attempt to contain Chinese influence, while probably five years too late to have any prospect of success, could have serious regional security consequences. It could create a negative Chinese reaction and become a self-fulfilling prophesy. Australia and the region do not wish to see China take the wrong branch of the ‘strategic crossroads’ and directly challenge American military superiority.  

**Japan: a Mercantilist Market-State?**

A mercantile market-state is defined by Bobbitt as one ‘...that endeavours to improve its relative position vis-à-vis all other states by competitive means... [it] seeks market share above all else, in order to gain relative dominance in the international market.’\(^{109}\) Bobbitt nominates Japan as a mercantile market-state with its literate, educated population, which is almost mono-cultural in make-up and therefore highly cohesive. Highly restrictive immigration laws maintain this situation. Japan can avoid the public order problems, including a tendency towards attenuating social cohesion, experienced by multi-ethnic states such as the United States. Nevertheless, it will pay a large price in productivity as its population continues to age if its current immigration settings are maintained. Japan also restricts domestic market penetration by other states. The price Japan pays for its mercantilist ways is rigidity and inefficiency due to a lack of competition, largely caused by the overly close relationship between government and relatively small number of mega corporations that dominate the local economy. Further exacerbating its economic situation is a woefully uncompetitive and inefficient banking sector — ‘run on the model of the military-industrial complex’.\(^{110}\) Mark Beeson, while using a different terminology (he describes Japan and China as ‘developmental states’), comes to similar broad conclusions about the nature of the Japanese state:

The key quality that made the state in Japan developmental was that it planned the development process rather than relied on market forces to determine the optimal allocation of resources. Unlike “market rational” states, which were concerned

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with simply establishing the rules of the economic game, the “plan rational” state sought to formulate and pursue “substantive social and economic goals.” 111

The significance of this development is, I posit — as noted previously — , due to the fact that Australia is evolving into something approaching the ‘entrepreneurial’ form of market-state, that is, ‘one that attempts to improve its absolute position while mitigating the competitive values of the market through cooperative means’; something a mercantile state is less likely to do. Bobbitt postulates that these and other differences between forms of the market-state are likely to become as fundamentally different and as likely to foment conflict as democracy, communism and fascism in the nation-state era. 112 Therefore, it is conceivable that at some point far off into the future that Japan and Australia as different forms of market-state could come into conflict. Though this possibility is mitigated in the shorter term (the next few decades at least) by Japan’s strategic relationship of dependence on the United States, which is becoming increasingly important given the growing rivalry with China; and the complementary nature of Australia’s and Japan’s economies. 113

Southeast Asia

Southeast Asia is complex environment, geographically, politically and economically. The region feels the often-conflicting gravitational pull of heavyweight powers India, China, Japan and the United States. Its response has been to construct multi-lateral institutions such as ASEAN and the ASEAN Regional Forum (ARF) to provide a degree of collective security. ASEAN is very much the glue that binds together and defines the region. The ‘ASEAN way’ is about interstate relations based on the principles of non-intervention in domestic affairs, peaceful cooperation and a strong focus on economic development as a means of fomenting both internal stability and constructive cooperation between regional states.


112 Bobbitt, The Shield of Achilles, p. 283. There is a third form of the market-state, the managerial market-state which tries to maximize its position both absolutely and relatively by regional, formal means such as trading blocs. Germany is an example of such a state.

113 Put simply, Australia provides the resources the heavily industrialised Japanese economy needs while Japan furnishes many of the manufactured the relatively lightly industrialised Australian economy craves.
The region contains a mix of states whose economies are vibrant and continue to travel along a pathway of sustained growth such as Singapore and Malaysia. Other members such as Indonesia and the Philippines continue to struggle to modernise their economies, though the former has made solid progress more recently. The democratic experiment continues in Cambodia, which has yet to overcome the effects of prolonged civil war. Vietnam and Laos are slowly emerging from the stasis imposed by central command economics and are attempting to travel the trail blazed by China, fusing totalitarianism with free-market economics. In addition, Indonesia, the Philippines and Thailand have major challenges to their territorial integrity from sub-state groups. Myanmar, ruled by a military junta remains an anathema and probably an embarrassment to the founding members of ASEAN, who continue to apply pressure to the rogue regime to undertake political reform.

While there is great diversity in the type and state of development of regional member states, there are significant common security themes. The colonial legacy of most of the states in the region has left them with a heightened sensitivity to outside interference. Member states have to contend with the rise of China, which while highly beneficial economically, looms as a security challenge as its influence continues to grow. In addition, most face internal challenges to their territorial integrity from religious or ethnic separatists, communist rebels or Islamists. Nonetheless, they remain locked within the nation-state security paradigm, zealous in their commitment to the protection of their national sovereignty and territorial integrity.

At the time of the 1997-8 Asian Financial Crisis, Malaysia, Thailand, Singapore and Indonesia were in the midst of significant military equipment procurement programs. The general aim of each was the enhancement of the respective state’s maritime capabilities and thus capacity for power projection. By and large, the scope of each of these programmes was relatively modest and there were, and continue to be, serious doubts about their ability to maintain newly acquired weapons systems. Certainly, they were far more modest than the

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acquisition of power projection capabilities pursued by successive Australian governments in
the last few decades. In recent times, Indonesia, Thailand, Malaysia and the Philippines have
embarked on programmes to enhance their maritime capabilities. The focus has been, more or
less, on low intensity threats such as piracy, seaborne terrorism, maintenance of territorial
integrity in the face of insurgencies and fishery protection, rather than state based ones.
Consequently, while there have been some modest acquisitions of submarines and light
surface combatants by Malaysia and Indonesia, the focus has been on patrol vessels,
corvettes, mine hunters, maritime surveillance aircraft which equates to limited power
projection capabilities.

In sum, there is minimal power projection capability resident in the defence forces of any of
the region’s member states.117 In fact, given the ambitious expansion and acquisition
programmes pursued by the Howard, Rudd and now Gillard governments, I would posit that
the offensive or power projection capability gap between militaries of most, if not all, of
the Southeast Asian states and that of the ADF will continue to widen.118 The one exception to
this assertion is Singapore.

ASEAN: on the Path to Market-Statehood?
Closer to Australia, it is conceivable that ASEAN will some day evolve into a managerial
market-state dominated by Indonesia — similar to that of Germany’s growing ascendency of
the evolving European Union market-state.119 ASEAN is travelling along a trajectory similar
to that of the EU albeit more slowly and with even greater challenges. In particular, its
progress is made difficult by its disparate membership. On the other hand, it is probably more
possible that it will become a loose federation of predominantly mercantilist states, similar to
Japan, in the case of Malaysia and Singapore; authoritarian mercantilist states — like China


118 Australian defence spending is likely to surpass 2% of GDP in financial year 2009-10 rising to more than
SAUD 24 billion. Jonathan Pearlman, ‘Big Boost to Push Defence Budget to a 20 Yr High’, 27 April
push-defence-budget-to-20year-high-20090426-ajd7.html [Accessed 13 April 2010] Australia has
acquired, or has committed to the acquisition of UAVs, JSF, Airborne Early Warning aircraft, Air Warfare
Destroyers, cruise missiles, enhanced strategic airlift, air-refuelling, Armed Reconnaissance Helicopters,
enhanced networking, troop carrying ships, an extra mechanised battalion and a motorised infantry
battalion as well as the reorganisation of the army into flexible battle groups. These equipment acquisitions
and force restructuring means that the ADF is vastly more capable than any defence force in the region.

119 Bobbitt makes this assertion in Terror and Consent. I suggest that this is looking somewhat less likely in
the wake of the Global Financial Crisis. The EU appears to be losing its pre-GFC economic cohesion
which is a fundamental requirement for the further surrender of sovereign powers by its member states.
in the case of Laos and Vietnam states; with a managerial or even an entrepreneurial Indonesia at its hub. As this evolution occurs, Myanmar will become increasingly problematic for ASEAN. The ruling junta’s complete lack of legitimacy, its total disregard for any form of human rights and its dysfunctional economy makes its continuing membership unlikely. Of course, this is conjecture and it is too early to be certain what shape ASEAN will take. However, it does highlight the fundamental challenges that an Australian entrepreneurial market-state could face in Southeast Asia. It is likely be that Australia’s ‘liminal status’ will be reinforced rather than be attenuated.

Singapore

Of all Southeast Asia’s regional members, Singapore, despite its small size, has the most capable defence force. It has a significant ability to project power, though its operational focus is on its near abroad. That is, due to the small geographic size of the island the Singaporean Armed Forces (SAF) have crafted a strategy based on creating manoeuvre space by projecting force outwards. In other words, it has concentrated on building significant expeditionary capabilities supplemented by very rapid mobilisation of its reserve forces and civil population to mitigate its poor geopolitical circumstances. In recent years it has put considerable effort into developing an information age military — enhancing networking, practising joint warfare and information operations to give it an edge over other regional military forces.120

The SAF budget for 2007 was USD 6.93 billion, which is large by regional standards. It has 60,500 regular members, augmented by 255,000 reservists. It is well equipped and highly trained — Jane’s assesses that it is probably the best trained and equipped in East Asia. Of note, the army has a 50,000 regular members organised into three divisions including one designated as ‘rapid deployment’. It has a small Special Forces capability, one company, which Jane’s nominates as having a counter-terrorism role in addition to its conventional ‘commando’ one. The Singaporean Army’s key weapons platforms are six Leopard 2 MBTs with another 90 on order; 350 AMX light tanks; 138 medium guns of which half are self-propelled; and 1084 APCs and Infantry Fighting Vehicles. The Singaporean Navy has seven

frigates; six corvettes; four amphibious landing ships and 475 landing and amphibious assault craft and four submarines. The Singaporean Air Force has a fixed wing capability comprising nine F15SG Strike Eagles, with a further 15 on order; 62 F16 Fighting Falcons; six AEW&Cs (with two more on order); 14 C-130 Hercules; and four in-flight refuellers. Its rotary wing capability comprises 20 Apache AH64D attack helicopters, 29 utility helicopters and 16 Chinook transports.121

The SAF is a formidable force by any measure, though it has a limited strategic strike capability. Its ability to threaten the Australian mainland or offshore territories in a meaningful way is minimal. However, its four submarines, surface combatants and various air assets could seriously threaten Australia’s SLOCs. Although it is hard to visualise circumstances in the foreseeable future where such actions would be contemplated. Australia’s relations with Singapore are reasonably cordial. It has a formal security understanding in the form of the Five Powers Defence Agreement (FPDA) as well as bilateral security agreements with Singapore. The SAF has forces permanently located in Australia, ongoing access to training facilities and regularly exercises with the ADF. In addition, the two states signed a free trade agreement in 2003. Two-way trade was worth nearly AUD 19 billion in 2008-9.122 The two economies are complementary with Australia supplying primarily natural resources to Singapore’s manufacturing-based economy. In the longer term, Singapore could develop into a mercantile market-state and thus its strategic as opposed to its economic interests could diverge from those of an Australian entrepreneurial market-state.

Southeast Asia and Australian Security

Australia is unlikely to come under direct attack from any state within the Southeast Asia region for the foreseeable future. In terms of state-based threats, it is difficult to see, given the defence spending trends of the last decade and the ongoing impact of the recent financial crisis, how sufficient quantities of the requisite equipments fundamental to meaningful power projection capabilities are to be obtained in the medium term. Likewise, maintenance and training, which are key enablers for long-term sustainment of military capabilities, are regularly under-funded in good economic times within the region let alone the current

economic circumstances. The current economic circumstances could put strain on societal stability. The 2009 White Paper concurs, opining that the major threats from within the region will come from political and economic instability recently exacerbated by the global financial crisis. This could take the form of increased separatist, insurgent and terrorist activity, with Islamic extremism and Indonesian territorial integrity being the major Australian security concerns.\textsuperscript{123}

At the sub-state level, Indonesia, Malaysia, Thailand and the Philippines have terrorist groups such as JI and the Moro Island Liberation Front (MILF) and Abu Sayff, which are challenging the current secular political order. MILF and Abu Sayff remain largely regionally focused, and are secessionist movements, as are the several separatist groups in Southern Thailand.\textsuperscript{124} JI, on the other hand, harbours an extremist vision of a politico-religious supranational construct; namely a Caliphate, for the Southeast Asian region. There is a long-term danger that if prolonged economic decline was to occur in a state such as Indonesia there could be growing sections of the populace disenfranchised and therefore a larger number of individuals susceptible to the lure of JI’s fundamentalist vision. In the Indonesian example, this could threaten both the viability of Indonesia’s democratisation project and secularism in general; and in addition, an increase in the danger to western expatriates and tourists.\textsuperscript{125}

The other major security issue of importance is so-called people smuggling which creates tremendous pressure for the Australian government of the day as identity politics play out in the Australian community. The political temperature rises dramatically as public perceptions, fuelled by the tabloid media, grow of an apparent ‘flood’ of illegal immigrants from the greater region head south on board boats into Australian territorial waters. This persists despite the reality of relatively small numbers of such arrivals, particularly in comparison with the size of illegal migration faced by western European states and America.\textsuperscript{126}

\textsuperscript{123} \textit{Defending Australia in the Asia Pacific Century: Force 2030}, pp. 34-5, 38.

\textsuperscript{124} These include: the Pattani United Liberation Organisation, Barisan Revolusi Nasioni and Gerakan Mujahadeen Islam Pattani.

\textsuperscript{125} \textit{Defending Australia in the Asia Pacific Century: Force 2030}, pp. 31, 35.

Indonesia

Its size, both geographic and population, and proximity to the Australian mainland ensure that Indonesia will remain a prime factor in Australian security calculations. Governmental relations between the two states have fluctuated from warm to hostile during Indonesia’s post-colonial period. Recently, they had cooled to ‘permafrost-like’, because of the 1999 East Timor intervention. Relations thawed and improved due to Australia’s generous assistance to Indonesia in the immediate aftermath of the 2004 Boxing Day Tsunami. The West Papuan asylum seeker incident in 2006 generated some angst but since then relations have been generally been sound. This is due in no small part to the ongoing efforts of current Australian government and those of its immediate predecessor. East Timor once a major rub-point in Australian/Indonesian relations has declined in importance since gaining its independence.

Australia has and continues to invest heavily in aid and diplomatic effort. Also of note is the cooperation between each state’s police forces, which has blossomed since the Bali bombings of 2002, and has been highly effective in mitigating the threat posed by Indonesian-based jihadists. It is Islamist-inspired terrorism, I posit, that constitutes the major threat Indonesia poses to Australian security. Expatriate citizens, Australians posted to Indonesia and the surrounding region by their corporations and government departments; and of course, the large numbers of tourists that flock to Bali. Indonesia’s military power, on the other hand, presents little real threat to Australian interests. Its power projection capabilities are negligible and it remains inwards focused, that is, on maintaining national cohesion.\(^{127}\)

The Indonesian defence force, the Tentara Nasional Indonesia (TNI), has 395,000 regular personnel of which 300,400 are in the Army (TNI-AD), 65,000 are Air Force (TNI-AU) and 30,100 are Navy (TNI-AL). Most significantly, as part of the democratisation process, the

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TNI has withdrawn from the political process: surrendering its parliamentary seats and adopting a position of strict political neutrality. According to Jane’s: ‘The military has devoted great efforts to inculcating within its ranks the spirit of support for democracy and respect for human rights’. Ultimately, the Indonesian government understands that the defence budget must increase to fully fund the TNI and redress the morale problems created by obsolete and poorly maintained equipment and low salaries. It follows therefore the TNI’s operational capabilities are suspect. Despite its impressive numbers, the TNI’s effective power projection capabilities are extremely limited.

The TNI-AU has 90 or so combat capable aircraft, with 24 designated as fighters (FTR). Of these, seven are ancient F-E5 Tigers, 10 are F-16 Fighting Falcons, three are SU-30MK Flankers and four are Su-27SK Flanker-Bs. In addition, there are 25 fighter ground attack (FGA) aircraft comprising 25 Hawk MK 209s. In the ‘fighter’ category alone there five different types of aircraft, many of which are of obsolescent technology. This represents a logistical and maintenance nightmare. The air force’s strategic airlift capability is also limited, comprising just one Boeing 737; 13 C130s (B, H and H-30) — two of which are designated tankers and six ‘Bs’, which are believed to be grounded. In addition, four L-100-30 Hercules, six Airbus CN-235Ms and a variety of smaller aircraft, including three Fokker F27s and three F28s. Critically, it lacks airborne early warning and command aircraft and an air refuelling capability, representing a severe power projection limitation.

According to Jane’s, TNI-AL’s state of readiness is low because of chronic maintenance problems, an aging fleet and the effects of the years-long embargo by western suppliers, which only ended in 2005. As noted above, the TNI-AL has 65,000 personnel including 20,000 marines. Its main platforms are two tactical submarines (Cakra Type 209/1300); 30 surface combatants, of which seven are frigates, with the remainder being corvettes. Its

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128 ‘Sentinel Country Risk Assessments: Indonesia – Armed Forces’, Jane’s Website
strategic lift capability consists of seven troop transports, 13 landing ships and 14 landing ships (tank).

Indonesia’s main expeditionary land force capability resides in its marines, which more than any other part of the armed forces is equipped with outdated equipment (largely 1960s vintage Soviet manufacture). In addition, the TNI-AL has an aviation component comprising seven multi-role fighters (F-E5s), seven reconnaissance and surveillance aircraft, six maritime patrol aircraft and 21 helicopters of various types. In sum, the navy is a reasonably sized force, which is appropriate given Indonesia’s archipelagic geography, its endemic problems with secessionist movements and natural disasters but not sufficient in quantity or quality (in terms of hardware and probably training) to be a serious threat to Australian security.

The TNI-AD is poorly equipped and yet to recover from the effects of more than a decade of under-funding. The other services have had funding priority in recent years. It remains configured to maintain internal security rather than deter external aggression or for that matter projection of force. Given the lack of a realistic external threat and the transfer of internal stability to the national police, the TNI-AD is operationally focused on ‘operations other than war’, primarily UN peacekeeping operations, disaster relief and resource protection. It has limited key weapon systems with which to wage higher intensity operations, for example, it is not equipped with MBTs, has limited artillery assets and has a relatively small armoured lift capability. In addition, and more importantly, its logistics and command and control systems are rudimentary by western standards. Likewise, its organic airlift capability is extremely limited, comprising 65 rotary wing aircraft supported by three Hind-F attack helicopters. Australia with a numerically much smaller defence force has more

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134 ‘Sentinel Country Risk Assessments: Indonesia – Army’, Janes Website. The TNI-AD has 250 AMX and 80 PT 76s light tanks; 251 (six different types) of reconnaissance vehicles; and 631 (12 different types) of armoured personnel carries and infantry combat vehicles. The logistic and maintenance problems created by this situation are self-evident and symptomatic of the wider problems faced by the TNI.
than 165 helicopters of which, 22 are designated armed reconnaissance (ARH).\textsuperscript{135} This is exacerbated by the years of neglect of its air and sealift assets, which adds up to limited tactical mobility and operational flexibility — a major problem given the archipelagic nature of Indonesia.

Potentially, the well-trained soldiers of the TNI-AD’s Special Forces Command, Kopassus, which totals some 5000 personnel, could represent a significant threat to Australian security. It has significant strike and unconventional warfare capabilities and a wealth of operational experience in both these roles, playing a major (and infamous) role in quashing the numerous insurgencies that have punctuated Indonesia post-independence history. The command is comprised of two ‘combat’ groups each of 1200 personnel, a Intelligence and Covert Operations group of 200 personnel; Unit 81’s 800 personnel employed in a counter-terrorist role; and a training group of 1600 persons.\textsuperscript{136}

The paucity of weapon platforms constituting a power projection capability is exacerbated by primitive C4ISR, poor maintenance systems and a lack of experience in fighting a high tempo conventional war. According to ‘Jane’s Country Risk Assessments: Indonesia’, little has improved in this area — particularly command and control.\textsuperscript{137} Qualitatively, the TNI contains many old, if not obsolescent, weapon systems. Its newer ones are generally present in relatively small quantities and there is the added logistical and maintenance complications associated with old technology and multiple suppliers.

**Islamist Threat**

As noted previously, the major threat Indonesia poses to Australian security is from militant Islam. There are two major Islamist organisations: the previously discussed JI and Darul Islam (DI), the oldest of Indonesia’s radical Islamic movements, formed in 1948 and responsible for more loss of life than any other such organisation. Well established, DI has survived a number of campaigns and crackdowns by the Indonesian government. Greg Fealy states that it is the fountainhead of radical ideology in Indonesia and a major supplier of

\textsuperscript{135} ‘Chapter 6 Asia’, The Military Balance 2011 Website, pp. 224-5.

\textsuperscript{136} ‘Sentinel Country Risk Assessments: Indonesia – Army’, Janes Website.

\textsuperscript{137} Sentinel Country Risk Assessments: Indonesia – Army’, Janes Website.
radical personnel to JI, who sees itself as its heir.\textsuperscript{138} Fealy notes that little in the way of research has been done on DI in recent years and that most see the organisation as an artefact. He states that in recent times DI has become factionalised and lost much of its organisational coherence but the fact it may still may have as many as tens of thousands of members, many of whom remain committed to violent jihad, thus represents major incipient threat potential.\textsuperscript{139}

In contrast to DI, JI has a strong organisational culture and demonstrated willingness and, more importantly, the capability to conduct ongoing terror attacks with the aim of fomenting the conditions for the evolution of an Islamist state. JI has a strong connection to al Qaeda; a number of its former key operatives, such as Hambali, fought with the Mujahadeen and/or had trained in al Qaeda camps in Afghanistan prior to the Taliban’s demise.\textsuperscript{140} It is suspected that al Qaeda has had a role in nominating targets for JI attacks. This, and the series of terrorist attacks in Indonesia conducted by JI against Australians and other westerners, including the Bali bombings, attack on the Australian embassy and the Marriott hotel in Jakarta,\textsuperscript{141} led Robert Hill, the then Defence Minister, to speculate that Southeast Asia was probably seen by al Qaeda as a major area of opportunity given the restrictions created by the American-led mission in Afghanistan.\textsuperscript{142}

A number of commentators posit that JI is much diminished and perhaps even divided, as a result of the campaign that the Indonesian government has waged against it since the 2002 Bali bombings. Since then, more than half of its key figures have either been killed or captured.\textsuperscript{143} Likewise, Fealy, citing Sydney Jones, posits that the organisation’s internal cohesion is much less than it was in 2002, and that it may be factionalising. This divisiveness, he says, may have had an enervating effect. However, Fealy warns that it would be unwise to assume that the terrorist threat posed by JI has diminished. He argues that even if it is

\textsuperscript{138} Greg Fealy and Borgu, Aldo. \textit{Local Jihad: Radical Islamic and Terrorism in Indonesia.} Australian Strategic Policy Institute, Canberra, September 2005, p. 4, 19.

\textsuperscript{139} Fealy and Borgu, \textit{Local Jihad}. p. 24.

\textsuperscript{140} Fealy and Borgu, \textit{Local Jihad}. p. 27.

\textsuperscript{141} Fealy and Borgu, \textit{Local Jihad}. p. 4.

\textsuperscript{142} Robert Hill, ‘Regional Terrorism, Global Security and The Defence of Australia’, speech to RUSI Triennial International Seminar, Royal United Services Institute, Canberra, 9 October 2003.

\textsuperscript{143} Fealy and Borgu, \textit{Local Jihad}. p. 34.
divided, terrorist activity will continue but in a diffused pattern, which in turn may make policing and ameliorating the threat even more difficult.  

Counter-terrorism responses in Southeast Asia will most probably continue to limit the expansion of local Islamist extremist networks; although vigilance will be required for many years yet before the threat can be declared to have diminished to negligible levels. The risk of terrorist attacks in Southeast Asia with a potential to affect Australian interests, or threaten Australians, will remain of concern for the foreseeable future.

In relation to separatism, West Papua remains a potential flash point. Given Australia’s historical connection to PNG, as the West Papuan asylum seekers incident of early 2006 demonstrated, there are sensitivities and a degree of sympathy within the Australian public for the West Papuan separatist cause. It is conceivable that a sustained media campaign, similar to that waged by expatriate East Timorese and Australian sympathisers that was so instrumental in forcing the Howard government’s eventual intervention in 1999, could create similar pressures in the event of a similar campaign by the TNI or its militia proxies in West Papua.

An Indonesian Market-State?

Until the global financial crisis, Indonesia was making excellent progress in reforming its economy along market lines — it recorded growth of more than six percent per annum in both 2010 and 2011. Thus far, it has ridden out the worst of the recent global financial shock with relatively minor damage to its economy, which in 2011 is worth USD 1.139 trillion. Under President Yudhoyono, Indonesia had been making significant headway in reforming the financial sector, attracting foreign direct investment; building the national IT

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144 Fealy and Borgu, Local Jihad, p. 34.
145 Defending Australia in the Asia Pacific Century: Force 2030, p. 35.
148 These include reform to tax and customs collection, the use of treasury bills and capital market
infrastructure, expanding and secularising its education system; and reducing the previously endemic corruption in its civil service and judiciary. Continued progress in these areas coupled with the previously discussed democratic development should enable Indonesia to emulate the Asian ‘tiger economies’, in the medium term and aspire to a western-style information-based economy in the longer term. However, great challenges remain, including high levels of poverty, relatively low levels of literacy in rural regions, separatist movements —most notably in West Papua — and militant Islam, which despite suffering numerous government inspired setbacks retains the operational wherewithal to commit ongoing acts of terror.

In terms of its information infrastructure, Indonesia has a reasonable base, particularly in mobile phone usage but a long way to go with internet penetration. Indonesia’s 248 million person population in 2009 had 220 million mobile phone (fifth in the world) and 20 million internet users (22\textsuperscript{nd} in the world). The latter will improve as GDP per capita, which is currently at USD 4,500.00.\footnote{Indonesia, The CIA World Factbook Website, https://www.cia.gov/publications/the-world-factbook/print/in.html. [Accessed 20 July 2012]}

Looking further into the future, with continued help from developed states, in particular, the United States and Australia, Indonesia could evolve into a market-state of consent. Given its polyglot nature, that is, its multi-ethnicity, federalist structure made necessary by its difficult, fragmented geography, it could conceivably become a market-state, either managerial or entrepreneurial in flavour. I posit that it is more likely to evolve into something approximating the latter due to the continuing devolution of its political power sharing arrangements (from the centre to the provinces) and its multi-ethnicity. Whether it will again seek leadership of the Southeast Asian region by providing collective goods (the modus operandi of an entrepreneurial market-state)\footnote{Indonesia, The CIA World Factbook Website, https://www.cia.gov/publications/the-world-factbook/print/in.html. [Accessed 16 July 2012]} or by recourse to formal regional means, such as solidifying ASEAN as a restrictive trading bloc (managerial market-state), is a fifty-fifty proposition at this point. Both options are very possible particularly if Indonesia regains its outward focus and confidence to assume its mantle of regional leadership and develops the economic power to underpin this. An entrepreneurial Indonesia would be an excellent

\footnote{Bobbitt, The Shield of Achilles, p. 283.}
strategic outcome for Australia — potentially leading to greater security and political confluence between the two states.

**South Pacific**

The region is comprised of three sub-regions: Melanesia, Micronesia and Polynesia. The United States, Australia, France and New Zealand are the major metropolitan powers in the South West Pacific and their influence intersects throughout each of the sub-regions to varying degrees. Within Melanesia, which comprises Papua New Guinea (PNG), the Solomon Islands, Vanuatu, New Caledonia and Fiji, Australia is effectively a regional hegemon, though New Caledonia does remain a French Territory. In addition, Australian influence extends into the American dominated Micronesian sub-region; and it effectively underwrites Nauru’s viability as a state.

New Zealand and France are the major influences in Polynesia. New Zealand has strong links, formalised by treaties, with Tonga, Cook Islands, Niue and Tokelau. It provides each with substantial aid, is active diplomatically, and maintains significant migration programmes. Australia has minor interest and minimal influence in the sub-region. However, if it was to experience the type of civil unrest seen in the Solomon Islands and East Timor, it is likely New Zealand would seek, and could reasonably expect, an Australian contribution to a New Zealand-led military intervention. Since September 11 there has been a growing acceptance that Australia has to play a proactive and at times invasive role in maintaining regional security in Melanesia, rather than the traditional ‘benign neglect’ that has characterised past Australian relations with the region. The United States, France and New Zealand share similar views and have been pro-active in supporting stability in their areas of influence.

Steven Hoadley asserts that of the three Pacific sub-regions, Micronesia is the most troublesome. Its populations are highly fragmented, plagued by wealth polarisation, over-exploitation of natural resources; corrupt governance, where the ‘strong-man’ tends to

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predominate; and weak civil society. These circumstances provide for endemic political unrest, widespread civil disorder, a breakdown of governance and, according to some western analysts, an environment in which organised crime and terrorist cells could proliferate.\textsuperscript{153} Certainly, recent events would seem to support this view. Unrest has proliferated throughout Micronesia, afflicting the Solomons, Fiji and to a lesser degree, PNG. The Australian government fears the region could slide into anarchy, its members becoming ‘failed states’—a mess of ‘mini-Somalias’, without external intervention. Thus, one can describe Australian military interventions in the affairs of both of the aforementioned states as being motivated by long-term enlightened self-interest or in Bobbitt’s words acquiring influence through the provision of ‘collective goods’.

This approach could be characterised as imperialist or neo-colonial. The government will have to work hard politically and diplomatically with regional governments to counter such accusations. Likewise, if the interventions start to cost significant numbers of Australian casualties, the government will have difficulty convincing the public of the worth of the ventures. Likewise, there is significant doubt about the effectiveness of the interventions. Rowan Carrack, in an article in \textit{Pacific Magazine}, quotes David Hegarty, the convener of the State, Society and Governance in the Melanesia Project at the Australian National University, who says that the interventions, ‘[m]ay be seen as useful external mechanisms for assisting in the amelioration of conflict, but they clearly offer no fix (sic).’ Other commentators such as Paul Monk and former foreign affairs department economist Peter Urban are very pessimistic about the prospects of success. Urban says, “Cooperative intervention is likely to fail the most important lesson of the history of our aid programme, namely, that aid only helps those countries that are trying to help themselves. If our aid program continues to support corrupt politicians and/or corrupt political systems, it is doomed to continue to fail.”\textsuperscript{154} From a market-state strategic viewpoint, I posit that Australia has a role to play in stabilising the region. As I will discuss later in Chapter 5, preventing the break down of civil society within the region and the achievement of some success shoring up consensual government constitutes victory in the new era.

\textsuperscript{153} Hoadley, \textit{Pacific Island Security Management by Australia and New Zealand}, p. 6.

Another challenge with potential security consequences for Australia is global warming. Rising sea levels threaten the viability of many Pacific Island states’ as places of human habitation. If this is not addressed by the reduction of carbon emissions then it is reasonable to expect that Australia will have to face significant refugee flows in the coming decades, with all the attendant issues of cultural identity that proved so divisive to Australian society several years ago.\footnote{155}

The events of 2006 in Micronesia portend challenging times ahead for the government and the ADF. A continuation of the seemingly endemic and chronic instability could see growing pressure for more of a ‘regional’ rather than a ‘global’ security focus. This could see Australian troops pulled out of ‘out of region’ commitments such as Afghanistan to put out the brush fires closer to home. On the other hand, the recent expansion of the army by two infantry battalions and, assuming the proposed restructuring of the Australian Army Reserve is successful then the government will have significantly more assets with which to either maintain or even significantly increase the current commitments to regional stability and global security missions.\footnote{156}

**Indian Ocean Region**

From a security perspective, the historical Australian attitude towards the Indian Ocean Region (IOR) can be generally characterised as one of benign neglect. This is despite much of the region’s instability; the importance of Middle Eastern oil; the ongoing Jihadist threat in South Asia, and the magnitude of India’s rise and its stated strategic ambitions of dominating the region. This has changed significantly in the last five or so years, largely due to developing economic, in particular energy; interests with India; and strategic imperatives driven by the Jihadist threat emanating from Afghanistan and Pakistan. Energy security is of growing international concern given the size of the Middle East’s contribution as a proportion of the world’s energy production. The majority of the Middle East’s oil traverses the region’s sea-lanes of communication and is, as we have seen, vulnerable to interdiction — by Somali-

\footnote{155}{155} I refer to the period of the late 1990s to early part of 2000s which culminated in the ‘Tampa’ incident and the consequent ‘children overboard’ scandal, which proved so divisive as a federal election issue in 2001.

\footnote{156}{156} The author has had significant input into planning for restructuring the Army Reserve but is not at liberty to divulge any details at the time of writing. Save to say, the 2009 White Paper flags a greater role for the Reserve in domestic and regional security operations and response to natural disasters—as per the 2009 Victorian bushfires.
based pirates and potentially by Iran. Other security concerns include, strategic rivalry between China and India on one hand and China and the United States on the other. The 2009 Defence White Paper acknowledges that the region will become strategically more significant in the period to 2030. ASPI goes much further suggesting, that the IOR is now the home of a new maritime great game.\textsuperscript{157}

Effectively the Indian Ocean is dominated, both strategically and militarily, by the United States. Motivations for its large military presence are continuing access to Middle-Eastern oil, and the mitigation of global terrorism and Islamic extremism, which includes containing Iranian influence. India is South Asia’s great rising power and it seeks a position of dominance in the region, using its navy to promote its status as the regional major power. Significantly, relations between the United States and India have been broadened and deepened in recent years as a result of a growing confluence of security and economic interests. From an American perspective (particularly the in the eyes of the Bush Administration and now it seems, the Obama Administration) democratic India is the perfect counter-weight to a rising China and its growing Asian influence. Coral Bell states that “[C]hina and India look unavoidably like potential rival poles of attraction.”\textsuperscript{158} Conversely, a strategic relationship with the United States, with all the potential economic and military benefits, would be a perfect hedge for India against a rising China. India has already taken advantage by procuring high technology military hardware from America and Israel, and received American assistance in the expansion of its civilian nuclear industry. Major players active in the region and as it happens, external to it, include China, Russia, France and Japan. Other significant players within the region, in addition to India, are Australia, South Africa, Pakistan, Iran and Israel.\textsuperscript{159}

From a geo-strategic perspective, a confluence of interests exists between India and Australia. These include the general political turbulence in the Southeast Asian region, including the rise of China and specific issues such as terrorism, piracy and terrorism at sea, and human

\textsuperscript{157} Australia has major energy production facilities in seas of the north west of the continent, the security of which is vital to Australia’s ongoing economic prosperity. See Anthony Bergin and Bateman, Sam, \textit{Our western Front: Australia and the Indian Ocean}, Australian Strategic Policy Institute, Canberra, March 2010, pp. 16, 39-41. \textit{Defending Australia in the Asia-Pacific century: Force 2030}, p. 37.

\textsuperscript{158} Coral Bell, \textit{Evolution (or Transformation?) in the Society of States}, Paper presented to Global Strategic Issues Seminar, Australian National University, Canberra, August 2006, p. 3.

trafficking/smuggling. Likewise, there is a growing awareness in Australia of India’s economic as well as its strategic importance. The Indian economy’s growth rate topped nine percent in 2006 and 2007, but eased back to 5.6 percent in 2009 in the aftermath of the global financial crisis. This compares to an average six percent in the 1980s and 1990s. Prior to the crisis of 2008-9, some economists have predicted that it may overtake China in the coming years. John Howard’s to India in July 2000 was the first by an Australian prime minister in 11 years. His next visit, in March 2006, was in the wake of the Bush visit of 2005 during which the nuclear assistance deal between America and India was signed. The then prime minister’s visit had the aim of boosting trade between the two countries (which stood at $9.4 billion) and the signing of a Defence Cooperation Memorandum of Understanding (MOU) which was an acknowledgment of India’s strategic importance and the two countries’ mutual security interests. Two-way trade between Australia and India in financial year 2008-9 totalled $21.7 billion, with the value of Australia’s exports to India being $18.8 billion.

Former Prime Minister Kevin Rudd visited India in November 2009, keen to establish a more strategic partnership, and signing a Joint Declaration on Security with Indian Prime Minister Manmohan Singh. The declaration is an aspirational document which states that both countries will work together to develop concrete security outcomes across a range of areas including transnational terrorism and crime, bilateral cooperation on East Asian issues, and maintaining a defence dialogue in accordance with the 2006 MOU and disaster management. The key obstacle to closer security relations remains Australia’s unwillingness to supply the


162 Bell, Evolution (or Transformation?) in the Society of States.


uranium that energy-hungry India craves. This is due to India’s refusal to sign the Nuclear Non-proliferation Treaty.\textsuperscript{164}

As an aspiring great power, India continues to struggle to free itself from the security complex with Pakistan. It has been locked within this since it gained its independence from Britain in 1947. The Pakistan relationship costs India much in strategic capital for relatively small gain. A major proportion of the India’s armed forces are tied up in, and around, the disputed region of Jammu-Kashmir attempting to control the insurgency that Pakistan continues to sponsor. Exacerbating the situation is Pakistan’s struggle with the ‘Talibanisation’ of its Afghan border regions and its strategic relationship with China. China is a major supplier of aid, military technology (including nuclear) and given the fact that the India and China fought a war in 1962, an increased strategic rivalry between the two by Pakistan’s relationship with China remains a distinct possibility. The three-way relationship is inherently unstable and the likelihood of the three parties reaching a peaceful equilibrium in the foreseeable future is low. Certainly, a major conflict between India and Pakistan cannot be discounted and with nuclear weapons arsenals as part of the equation, the humanitarian consequences of an India-Pakistan war are almost unimaginable.\textsuperscript{165}

\textit{India's Strategic Weight}

India is a relatively recent member of the nuclear weapons club and has active ballistic and cruise missile programmes aimed at giving its nuclear forces strategic reach. Currently, India’s strategic forces have eight to 12 IRBMs, the Agni 2 and 30 SRBMs, the SS-150 Prithvi and has recently introduced into service the BraMos supersonic cruise missile.\textsuperscript{166} In addition, India has a vast conventional defence force comprising 1,325,000 active and


\textsuperscript{165} George Perkovich, \textit{The Nuclear Arms Race In South Asia: Lecture Notes}, Centre for Defence and Strategic Studies, Canberra, 2004.

\textsuperscript{166} \textit{The Military Balance 2007}, The International Institute for Strategic Studies, London, 2007, p.306. In 2006, India commenced testing the Agni III ballistic missile which has a range of between 3,000 and 3500 kms. Janes notes that technical difficulties have delayed its introduction into service but expects this to occur later this year or early 2011. It recently brought into service its supersonic cruise missile, the BrahMos – an Indian / Russian collaboration. Sentinel Security Assessment - South Asia: Indian Armed Services’, http://www4.janes.com/subscribe/sentinel/SASS_doc_view.jsp?Sent_Country=India&Prod_Name=SASS &K2DocKey=content1/janedata/sent/sassu/indis100.htm@current, 12 Feb 2010. [Accessed 21 April 2010]
1,000,000 reserve members, whose primary focus, as alluded to above, remains Pakistan.\textsuperscript{167} Like China, the defence force is heavy in numbers but relatively light in power projection capabilities. Also like China, India is seeking to improve its capabilities and has instigated an extensive modernisation programme, which has been given a major boost with the recently acquired access to American and Israeli military technology. One of its key shortcomings is a lack of ‘jointness’ between the services. The IAF has neither a chief of the defence force nor a strategic level joint headquarters and therefore it cannot provide a united front to government on procurement priorities; effective coordination of strategic forces’ tasking and deployment; or effective command of tri-service operations. Compounding this parlous situation, there is no formal national strategy.\textsuperscript{168}

The India Army (IA) has 1,100,000 regular and 1,000,000 reserve members. It has 3,170 MBTs, of which 320 are T-90S (Brishma); 1400 T-72M1s of which 1200 are battle-worthy; 450 T-54/55s currently in service with a further 500 being upgraded and 1000 Vijayanta (Vickers). Its armoured and mechanised formations are relatively few as a proportion of the entire force. Forty-five of the indigenous Arjun MBT were delivered to the Indian army in 2005, but due to protracted technical difficulties none were in service at the time of writing. The army has approximately 1750 AIFV and APCs; and more than 3,380 artillery pieces (mainly towed and of many different types), 192 multi-barrel rocket launchers (MRLs). Its helicopter fleet remains small at 219 aircraft, which comprises 120 multi-role and 99 observation aircraft; and it has small uninhabited air vehicles (UAV) capability (24), comprising 12 multi-role and 12 ISR aircraft.\textsuperscript{169} Its dedicated expeditionary force is comprised of one independent airborne brigade and five battalions of Special Forces known as para-commandos.

Janes assesses that the IA is quite well trained but suffers from major personnel shortages across most of its officer ranks and key specialist trades. This is attributed to competition from the private sector. It is likely that the shortages in skilled leaders would have a significant impact on its ability to conduct operational tasks. It has limited modern armoured

\textsuperscript{167} 'Sentinel Security Assessment - South Asia: Indian Armed Services', Janes Website.
\textsuperscript{168} 'Sentinel Security Assessment - South Asia: Indian Armed Services', Janes Website.
and insufficient medium artillery assets.\textsuperscript{170} I posit that its organic air support is inadequate, particularly given its lack of an attack capability. In essence, the IA is an industrial age army unfamiliar with joint operations but suited to combating internal insurgencies and probably capable of overwhelming its Pakistani rival and competing on an equal footing with the PLA. Its ability to project significant power is clearly very limited.

The Indian Navy has 53,000 personnel, of which 2000 are marine commandos. According to Janes, it is the fifth largest in the world. It has a growing blue water capacity, which will eventually be based upon two carrier groups and an expanding and increasingly sophisticated submarine fleet.\textsuperscript{171} Already, it is by far the most capable navy indigenous to the region. Currently, the Indian Navy has 16 tactical submarines (SSK) of significant capability and 23 major surface combatants.\textsuperscript{172} This figure includes one aircraft carrier, an ex-British \textit{Hermes} class ship, which has been renamed the INS \textit{Viraat}.\textsuperscript{173} India has ambitious plans to improve greatly its power projection capabilities by expanding its carrier capability to three groups. The \textit{Viraat}, which has recently undergone an extensive refit designed to extend its life to 2015 can be equipped with up to 15 Harrier FGAs (eight Harriers were airworthy at the time of writing) and 15 helicopters. Another carrier, the INS \textit{Vikramaditya}, of Russian construction is projected to be delivered to the IN in 2012; and construction of the third, an indigenous carrier, continues to make slow progress with

\textsuperscript{170} ‘Sentinel Security Assessment - South Asia: Indian Army’, Janes Website.

\textsuperscript{171} \textit{The Military Balance} 2007, p. 310. \textit{The Military Balance} reports that the navy has plans to expand the fleet up to between 140 to 145 vessels, of which half will be ocean going in the next decade. This includes Project 75 which will deliver 24 diesel electric submarines. Janes concurs with this assertion. ‘Sentinel Security Assessment - South Asia: Indian Navy’, Janes Website, http://www4.janes.com/subscribe/sentinel/SASS_doc_view.jsp?Sent_Country=India&Prod_Name=SASS &K2DocKey=/content1/janesdata/sent/sassu/indis130.htm?current, 12 Feb 2010. [Accessed 21 April 2010]

\textsuperscript{172} \textit{The Military Balance}, p. 316. The submarine fleet, all diesel-electric SSKs, includes four S 44 Shishumar Class vessels whose ages ranges from 21 to 13 years and possess modest capabilities, that is, 533 mm torpedoes and mine-laying but are not able to launch ballistic or cruise missiles. The 10 Sinduhghosh (FSU Kilo) class submarines which are up to 21 years old are also fitted with 533 mm torpedoes and can lay mines but since their recent refit nine can now carry the SS-N-27 anti-shipping missile while the remaining one has been refitted to carry the SS-NX-27 S Club tactical SSM. The two aging Vela class (FSU Foxtrot) vessels are the least capable in the fleet are fitted with the 533 mm torpedo.

\textsuperscript{173} ‘Sentinel Security Assessment - South Asia: Indian Navy’, Janes Website. There are eight destroyers (DDG) and 13 Frigates and, in addition, some 24 corvettes. \textit{The Military Balance} reports that the second carrier, an Admiral Ghorshkov class vessel, should have been delivered in 2008 and that there are currently three destroyers and three frigates being built.
delivery now scheduled for 2014. The navy has a modest amphibious capability comprising some 18 vessels, including 13 landing ships medium and five landing ships tank. The IN’s naval aviation capability, in addition to the aforementioned Harriers, comprises four MIG-29Ks; a total of 70 helicopters, of which 37 are dedicated to anti-submarine warfare, five for assault, nine airborne early warning and control and eight as multi-role; and 23 maritime / ASW fixed wing aircraft.

The Indian Air Force (IAF) has 170,000 personnel and 520 combat capable aircraft. Its most capable combat aircraft are its 78 SU-30 Flankers, 57 MiG-29B Fulcrums, 97 MiG-27M Floggers, 38 Mirage 2000Hs, and 100 Jaguars, (10 of which comprise a maritime attack squadron) with the remainder (250) comprising MIG 21 variants. The IAF has a limited airlift capacity comprising 195 transport aircraft. In addition, it has 327 helicopters, including 53 attack and 216 assault aircraft. It has a small ECM and ELINT capability; and has one AEW aircraft, as of April 2010, with another two IL-76 Phalcons on order.

Like China’s PLA-AF, the IAF has very limited airborne command and control and electronic warfare capacities. It is poor at maintenance with the number of airworthy aircraft diminishing at an alarming rate. It has numerous types of aircraft performing the same or similar role, which complicates supply and maintenance. This is exacerbated by the fact that a large number of its aircraft are obsolescent. India is enhancing its power projection capabilities within the IOR by upgrading its airfield at the Andaman and Nicobar Islands to accommodate two squadrons of SU-30s. The base already had an infantry brigade, some maritime patrol aircraft and Indian Navy patrol boats. The IAF has also established a presence with the Indian Army in Tajikistan where, Jane’s suggests it will rotate flights of MiG-29s.

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174 The Viraat class carrier typically has 15 Sea Harriers and 15 attack helos (ASW and ASuW roles) The Military Balance 2007, p. 316. Janes indicates that the IN has four MIG-29Ks with another eight to be delivered. ‘Sentinel Security Assessment - South Asia: Indian Navy’, Janes Website.

175 ‘Sentinel Security Assessment - South Asia: Indian Navy’, Janes Website.


In summary, the Indian Defence Force still has a reliance on mass rather than quality. It is still an ‘industrial’ rather than ‘information age’ organisation with limited ‘joint operations’ capacity. My review of the IDF’s C4ISR assets shows that there is limited networking ability; and there is, at best, nascent ‘sensor to shooter’ linkages. It is also apparent that there are wide-ranging logistical and maintenance problems, for example, there are a number of key platforms performing the same or similar roles.\textsuperscript{178} Much of the equipment is obsolete or obsolescent; a common situation in Asian defence forces, which further complicates logistics and maintenance. The IDF has limited expeditionary capability, that is, it has few strategic airlift aircraft and modest amphibious assets. These and other shortcomings equate to slow decision-action cycles; limited ability to sustain medium intensity operations; and, at best, a moderate ability to project significant power beyond India’s borders into the region. However, significant resources are being dedicated to a comprehensive modernisation programme designed to ameliorate most if not all of the limitations described above.\textsuperscript{179} Continued access to American military technology will be a major fillip to the modernisation and power projection capabilities of the IDF.

\textit{Australian - Indian Security Relations}

Given the distance between Australian and Indian territorial waters, India’s modest power projection capabilities, its focus on Pakistan and concerns with the rise of China and the consequent potential for rivalry, there is little scope for disputation well into the future. On the other hand, given their democratic governance, free market economies, their British heritage and confluence of interests relating to Southeast Asia and transnational terrorism, there is much scope for a close security relationship.

Transnational terrorism is a major shared threat. India has several insurgencies to combat with the most significant being the Jammu-Kashmir dispute. The mutual areas of interest are South and Southeast Asia. Militants in Kashmir have been given training and succour by Pakistan who have had a strong relationship with the Afghan Taliban and thus al Qaeda. The current instability in Pakistan caused by the growth of the Pakistani Taliban further complicates the security relationship. Given the cooperation between al Qaeda organisation and Jemaah Islamiyah, it is likely a terrorism network connects the two regions.

\textsuperscript{178} ‘Sentinel Country Risk Assessment India – Armed Forces’, Janes Website.

The Indian Ocean Region is prone to transnational threats such as piracy, terrorism at sea and people smuggling.\textsuperscript{180} India has played a proactive role in maintaining maritime security in the region. It regularly patrols the western approaches to the globally important Straits of Malacca through which 40 percent of its own trade passes. Australia’s response has been less direct and has sought to increase cooperation and coordination between appropriate regional states.\textsuperscript{181} It follows that intelligence sharing and some greater degree of military cooperation between Australia and India would make a great deal of sense.

\textit{An Indian Market-State?}

I posit that India is on the evolutionary pathway to market-statehood albeit a long way behind developed states such as Britain and Australia. Its robust democratic governance and the increasing sophistication of its market-based economy are strong indicators that this is occurring, although it is unclear at this point, what form of market-state it would favour. On one hand, India’s multi-ethnicity federalist political structure and lack of a regional economic construct like the EU could steer it away from becoming either a mercantile or a managerial market-state. On the other, it does not have traditions of libertarianism and laissez faire economics that are so strong in Britain and the United States who are currently evolving along entrepreneurial lines.

Economic liberalisation began in India in the early 1990s generating impressive levels of growth. However, in the aftermath of the Global Financial Crisis Jane’s suggests that, ‘These levels will not be sustainable over the longer term — particularly in view of the global financial crisis that began in late 2008 — unless the government implements some tough policies, such as broadening the tax base, reducing state subsidies to industry and accelerating the privatisation programme.’\textsuperscript{182}

\textsuperscript{180} J. Bonnor and Varun Sahni, \textit{Australia – India Reengagement: Common Security Concerns, Converging Strategic Horizons, Complimentary Force Structures}, ASPI Strategic Insights 11, Australian Strategic Policy Institute, Canberra, 2004, p. 5.

\textsuperscript{181} Craig A. Snyder, \textit{Unpublished Paper: India-Australia Approaches to Maritime Security in Southeast Asia}, 2007, p.2. Snyder claims that India’s maritime strategy, published in 2004 identifies the Straits as part of an are of legitimate Indian political, economic and military concern.

DFAT notes that the India economy’s expansion to date has been services-led, but to sustain previous growth rates the government will need to improve manufacturing performance. Another challenge to progress is the generally low level of education of its people, in particular, the rural poor that constitutes the vast majority of Indians. On the other hand, in the cities exists a burgeoning, well-educated middle-class of between 200 and 300 million persons who are driving economic growth.\textsuperscript{183} India has other major handicaps to overcome, including a high rate of population growth; poor general infrastructure — power, water and roads; an elephantine public service, and a poor health system. It remains well behind China in most sectors in terms of both size and growth.\textsuperscript{184} Significant improvement in these areas is crucial to fostering market-state evolution. While much needs to be done, India continues to put major effort into wide-ranging reforms including broadening of its tax base and reduction of tax evasion by the introduction of a goods and services tax; privatization of state owned enterprises; streamlining of the public service; and investment in infrastructure development, in particular the national IT framework. Continued improvement in each of these, along with improvement in literacy rates, will go a long way to creating the information-based economy fundamental to market-state evolution.\textsuperscript{185}

\textbf{The Middle East}

Australia and the world’s ongoing dependence on the Middle East’s vast reserves of oil, ensures that the region will remain strategically vital well into the future. Unfortunately, it is a place of almost continual turmoil and war. Democratic governance is rare and the region’s economies are generally underdeveloped. The region’s volatile geopolitics are defined, in the main, by the United States strategic interests; the interactions of Israel and the broader region; the pervasive interplay of Sunni and Shia versions of Islam; Iran’s striving for increased influence, and the conflict in Iraq. It is the source of the virulent form of militant Islam that continues to foment conflict throughout the region and beyond.

\textsuperscript{183} \textit{India Country Brief}, Department of Foreign Affairs and Trade Website.

\textsuperscript{184} ‘India on Fire’, The Economist Website.

\textsuperscript{185} ‘India’, The CIA World Fact Book Website, https://www.cia.gov/library/publications/the-worldfactbook/geos/in.html. [Accessed 22 April 2010] According to the World Fact Book, India is one of the fastest developing telecom markets in the world with urban teledensity approaching 100 percent, rural density is 20 percent but growing fast. As at 2008, India had 81 million internet subscribers making it fourth in the world at the time.
The Israeli/Palestinian conflict continues to fester with little prospect of satisfactory resolution. The injustices, both real and perceived, against the Palestinians rile the people of region and the wider Islamic world. Along with the Iraqi and Afghanistan conflicts, are clarion calls to action for disaffected Muslims. The Palestinian issue is complex, emotive and seemingly intractable. The United States’ considerable support to Israel exacerbates the situation making the United States and its allies the targets of Muslim anger and terrorist attacks.

Iran’s nuclear ambitions; its meddling in the Iraq conflict; and its pervasive links to Hezbollah are major reasons for the region’s instability. Iran has been a major supplier of finance, training, personnel and munitions, to various Iraqi Shiite militias; and its agents and proxies have infiltrated Iraqi security forces and government ministries.\(^{186}\) It has influence in Afghanistan, having formed links to the Karsai government and, reportedly, with elements of the Taliban as a strategic hedge against the Americans.\(^{187}\) In addition, it has the ability to stop the passage of shipping through the Strait of Hormuz, which accounts for forty percent of the world’s oil exports.\(^{188}\) All of this gives Tehran considerable room for manoeuvre against Washington in negotiations relating to its nuclear programme.

In Iraq, the so-called ‘surge’ of 2007-8 prevented a conflagration — an internecine conflict that threatened to tear apart the Iraqi state causing a dangerous power vacuum. It was becoming a jihadist training ground not unlike Afghanistan. It is important for Middle Eastern stability in that it is the natural counter-weight to Iran’s regional ambitions. There is little doubt the 2003 invasion of Iraq that created the instability was a major strategic blunder. Fallaciously justified within the context of America’s global war against terror, it dented America’s international standing and diverted attention and resources from the jihadist centre of gravity, Afghanistan. In addition, Iraq became a second front for the jihadists who, using classical insurgent strategy and tactics bogged America and its allies down in what seemed for many years to be an unwinnable war. It took a colossal effort, some luck in the form of


the so-called ‘Sunni Awakenings’, and the expenditure of vast resources to turn this around. The security and political circumstances, while greatly improved from the 2007 nadir remain quite fragile. Nonetheless, the Americans have been able to draw down their troop levels from more than 130,000 to more than 41,000 as at October 2011.\textsuperscript{189}

Now the primary American focus is on Afghanistan and Pakistan—quelling the Taliban resurgence in the former and assisting the latter regain some degree of internal stability and control of its ‘Talibanised’ border regions. The American strategy of an Afghanistan surge is designed to set the conditions on the ground for an American withdrawal. The intent is to weaken the hardline Taliban elements while encouraging the more pragmatic ones into a power sharing arrangement with the Karzai regime, broadly meeting America’s strategic needs.\textsuperscript{190} The challenge, of course, is the very short timeline nominated by President Obama in which to achieve this.

Australia was a willing and very vocal participant in the ‘coalitions of the willing’ that invaded both Afghanistan and Iraq as part of the war against terrorism. The whole exercise damaged Australian standing in general, and with the Muslim world in particular. As early as November 2002, following the American-led invasion of Afghanistan, a number of news agencies including Tony Parkinson in \textit{The Age} and Paul Kelly in \textit{The Australian} claimed that Osama bin Laden explicitly targeted Australia. The American ambassador of the time also made a similar claim.\textsuperscript{191} There is also some compelling evidence to indicate that a significant number of Australian Muslims have been alienated. The 2006 and 2009 arrests of alleged jihadists in Sydney and Melbourne are a strong indication of an incipient threat within Australia.


\textsuperscript{190} ‘The Afghanistan Campaign, Part 4: The View from Kabul’, Stratfor Website, http://www.stratfor.com/analysis/20100418_afghanistan_campaign_view_kabul, 20 April 2010. [Accessed 26 April 2010]. The United States seeks a government in Kabul that will prevent a return to the circumstances that existed prior to the 2002 invasion, that is, the return to influence of al Qaeda or other jihadist organisations with similar ambitions. And thus it will be able to drawn down or withdraw its forces altogether.

Terrorism and the Australian Domestic Front

Since September 11, a series of mass-casualty terrorist attacks, including those in Bali, Madrid and London, have demonstrated the vulnerability of Australians at home and abroad. Our strong link to the United States and Britain has given Australia a high profile. A number of commentators and, indeed, the former head of the Australian Federal Police, Mick Keelty, have warned of the terrorist threat residing within Australia’s Muslim population.\(^\text{192}\) *The Age* newspaper reported in September 2005 that ASIO had identified up to 800 of what it called Muslim extremists active in Australia.\(^\text{193}\) The potential scenarios for attacks within Australia include September 11-style attacks, London/Madrid-style suicide bombings, and attacks on shipping and seaports. The vulnerability of mass transit stations is well known and particularly relevant given the importance of train networks in our major cities. Likewise the vulnerability of securing the supply chains that branch out from our major ports. The difficulty of tracking and searching shipping containers for explosives including small nuclear devices is extreme.\(^\text{194}\)

According to Aldo Borgu, in relation to Australian security, there are three levels of terrorist threat — international, regional and domestic. He argues that while much has been made of the domestic threat in the wake of Madrid and London bombings, the regional threat is the most acute.\(^\text{195}\) Large numbers of expatriate Australians and tourists are in Southeast Asia, at any given time, and are the most vulnerable.

Arrests of terrorist suspects in Sydney and Melbourne in the last few years demonstrate that in Australia too, disaffected young Muslims are willing to express their outrage at the plight of the Islamic world through violent means. The means of attack are well known and despite increased securities measures such as the proliferation of surveillance cameras in public spaces and advertising campaign exhorting the public to be vigilant, the possible targets are manifold and generally vulnerable. The only real limitations are terrorist ineptitude and


\(^{193}\) ‘Keelty Wants New Terror Laws in a Hurry’, *The Age*.


imagination. As September 11 demonstrated unexpected applications of common technology (jet airliners as human guided missiles) and the selection of unanticipated or inherently vulnerable targets opens up opportunity to strike strategic blows.

**Major Threats to International and Australian Security: a Market-State Perspective**

In the long term, the major threat to international security will be conflict between the great powers that will come to dominate the evolving order of market-states. However, the likelihood of war between great powers is diminished by their possession of nuclear weapons (or extended deterrence arrangements with those states that possess them). In addition, market-states are more casualty averse than their nation-state predecessors, and less willing to make the economic sacrifices associated with major wars in the past.\(^{196}\) The increasing interconnectivity of the global economy means that the consequences of military conflict between great powers would be potentially catastrophic and widespread. That is not to say conventional military conflict between market-state great powers will not occur.

The twentieth century demonstrated that revisionist great powers, despite their economic entanglement with other great powers, were the biggest threat to global security. While there has not been a large-scale ‘hot’ conflict between major states since World War II, one must remember that the virtual or ‘cold’ status of the war between the USSR and the United States was sustained by the ever-present threat of mutually assured nuclear devastation. It is highly likely that the two superpowers would have fought a major war but for the existence of nuclear weapons. One can envisage within the next few decades an authoritarian mercantile Chinese market-state fighting a cyber-based conflict or limited conventional war with the United States (and possibly Australia) over Taiwan.\(^{197}\) The world has seen numerous periods of long peace between the major states of eras past — the Concert of Europe lasted almost 40 years — from 1815 until the Crimean War that commenced in 1854.

\(^{196}\) In both World War I and World War II the populations of the participating states made major economic sacrifices such as conscription, increased taxes, food and fuel rationing, and accepted the reduced availability of consumer goods as governments put their economies on a war footing. Contrast this with the United States in the 21st century where despite fighting two major wars there has been no recourse to conscription, increasing taxes or any other austerity measures.

\(^{197}\) By 2030, if it continues to modernise the PLA at the current rate, China is likely to have the maritime military capabilities, such as advanced submarines and aircraft carriers along with the C4ISR infrastructure, to conduct sophisticated information operations required to challenge America’s military dominance in the vicinity of the Taiwan Strait. See the *Report to Congress, Military Power of the People’s Republic of China, 2009.*
The jury is still very much out regarding the long-term prospects of a sustained peace between states in the post-Cold War era, particularly given the rise of several major powers and impending resource shortages. Access to natural resources including fossil fuels, minerals, fishing grounds, water and arable land are already looming large as major security issues particularly for large developing states such as India and China. We have already seen security of strategic oil supplies spill over into the military sphere. Likewise, the economic rise of both Russia and China, is inducing their growing assertiveness and willingness to challenge a United States that is disengaging from its military entanglement in Afghanistan and keen to re-establish its authority in Europe and the Asia-Pacific.

Bobbitt posits three possibilities for state-on-state conflict based on the fundamental constitutional legitimacy of states. These are: war between market-states and nation-states; war between market-states over legitimacy of the three forms, and war that spreads internationally from an internecine conflict in which partisans of the nation-state confront those of the market-state. In relation to the first possibility, an exemplar of one or the other could challenge the other’s assumptions regarding sovereignty. An example of this is conflict between the United States and China over Taiwan. China, though evolving along mercantilist lines, retains a nation-state view of sovereignty. That is, China’s modern (nation-state) regard for territorial integrity and anti-secessionism conflicts with America’s market-state view that ‘national’ ethnicity is not conclusive as to statehood; and thus Taiwan cannot be absorbed into greater China without its consent. As described previously, war between market-states would be over the constitutional legitimacy of the three basic forms. This would analogous to the conflict between communism, fascism and parliamentarianism over ultimate legitimacy throughout the Long War of the twentieth century. Another possibility is the three characterisations of market-state constitutional forms came into conflict within one great market-state, fomenting a revolutionary situation. This occurred to some degree in all the great nation-states prior to the Long War but was most apparent in Russia and Germany.

198 T.F. Homer Dixon, ‘Environmental Scarcities and Violent Conflict: Evidence from Cases’, in *International Security*, vol. 19, no. 1, 1994, pp. 5-6. We have already seen the United States and its allies go to war twice in the Middle-East in just over a decade, and although oil supply security was downplayed as a motivation for war there is little reasonable doubt it was a major underlying factor. China’s increasingly assertive behaviour in the South China Sea has brought its naval forces into regular conflict with vessels of neighbouring states including Japan.

Individual conflicts or lesser wars within a market-state epochal war are likely to cover a broad spectrum of possibilities. Some will have an overtly military nature and could escalate into large-scale conventional war, and it is conceivable that limited exchanges of nuclear weapons could occur. Certainly, this is possible in future conflicts between Pakistan and India; Israel and Iran; China and America over Taiwanese independence; and the two Koreas.\textsuperscript{200}

In other wars, military force might not be the ultimate expression of conflict as it is potentially too damaging to the critical infrastructure of the market-state. On the other hand, military conflict could be confined to the destruction of the enemy state’s military capability — a war of intelligent machines and human puppet masters, played out in locations removed from population centres. In other words, we could see a mode of warfare similar to that, which existed in the days prior to the industrial revolution. That is, warfare was characterised by the civil population’s regular exclusion from the actual fighting. Of course, there is precedence for this; siege warfare against cities and towns was a feature of medieval conflicts. The numbers of casualties, both military and civil, as a direct result of battle were relatively low, certainly in comparison to the wars of the industrial revolution and the major conflicts of the last century.\textsuperscript{201}

NATO’s air campaign against the Bosnian Serbs in August and September 1995 and the invasions of Afghanistan and Iraq post September 11 are perhaps indicative of these future conflicts. NATO threatened airstrikes was to stop the forces of Bosnian Serbs attacking nominated safe areas such as the City of Sarajevo; and to force the warring parties (the Croats entered the conflict in early August) to the negotiating table.\textsuperscript{202} Likewise, the ‘uberblitzkriegs’ in Afghanistan and Iraq rapidly achieved the desired regime changes with

\begin{footnotesize}
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\item \textsuperscript{200} As noted previously there has been discussion by senior PLA officers on the use of nuclear weapons as part of China’s asymmetric military strategic approach. See quote by Major General Zhu Chenghu in 2006 \textit{Report to Congress, Military Power of the People’s Republic of China}, p. 1. Also see Bobbitt, \textit{The Shield of Achilles}, pp. 780-1.
\item \textsuperscript{201} Gwyn Prins, \textit{The Heart of War}, Routledge, London and New York, 2002, pp.8-10.
\item \textsuperscript{202} ‘Operation Deliberate Force’, GlobalSecurity.org Website, http://www.globalsecurity.org/military/ops/deliberate_force.htm, 5 May 2010. [Accessed 5 May 2010] Underpinning the air campaign’s aims was the market-state’s need to minimise the casualties of its participating military personnel and the civilian population of the affected state. The campaign spurred the belligerents, including Yugoslavia, to negotiate the Dayton Peace Agreement.
\end{itemize}
\end{footnotesize}
relatively light casualties to both Coalition forces and indigenous civilians. In the case of Iraq, damage to critical infrastructure was also minimal. Of course, the resultant insurgencies are salutary in terms of how market-states will need to conduct similar campaigns in the future. Certainly, an understanding of insurgent warfare and an informational, rather than an industrial, mode of warfare will be required. This will be explored in more detail in Chapter 4.

It is also likely in the future that market-states will develop new forms of warfare, some based on new technological advances in areas such as nano-technology, computing and biotechnology. It is possible that we will see the application of economic tools. Australia for example, could use abundant and cheap natural resources as a diplomatic tool to achieve strategic outcomes. In recent years, we perhaps had a taste of things to come in cyberspace. Cyber espionage is now widespread with examples being regularly reported in the media. We have seen what could be described as cyber attacks around the world, including against the US State Department in 2006 where hackers targeted its Bureau of East Asian and Pacific. There was speculation that China was considered a suspect (at least according to the Taipei Times). Georgia suffered a major assault on a range of official websites in August 2008 — the lead-up to the Russian invasion. In Australia in 2009, attacks occurred against DFAT and the Melbourne International Film Festival website. However, reports noted that there were large numbers of insecure computers and networks within China and throughout the world, and therefore it is possible that hackers from other countries could disguise their location by accessing Chinese computers and from these, and attack high profile targets such as the Pentagon and the State Department. Herein lies the challenge; plausible deniability is readily achievable and difficult to disprove.

203 Richard Leaver and Ungerer, Carl, ‘A Natural Power: Challenges for Australia’s Resources Diplomacy in Asia’, Australian Strategic Policy Institute, Canberra, May 2010, pp.3-4. They argue that Australia should re-assess the idea that commodity marketing is a commercial issue and that the state should not become involved. For example, Australia could use India’s hunger for energy to build a strategic partnership, that is, by selling it uranium.


Other physical, pathogenic-based attacks are now possible through covert delivery of genetically engineered microbes. A plethora of deadly new possibilities involving a new generation of biological weapons is possible, including attacks on specific ethnic groups, livestock or crops. The aims of the first example could range from the annihilation of an enemy state by killing the dominant ethnic group, to attacking its social cohesion by killing one or more of its key ethnic groupings, to its severe (but not necessarily fatal) general disruption. The other two forms of attack would seek to cripple or destroy critical food resources, which would cause major disruption of the economy, in general, or specific production nodes.

Weapons of mass destruction proliferation will remain a major security issue. In the post-Cold War era, we have witnessed significant expansion of the ‘nuclear weapons club’. India and Pakistan became declared nuclear powers in the late 1990s, Israel remains undeclared while the DPRK detonated a second nuclear device in May, 2009 and must now be considered a nuclear weapons state. Recent Jane’s reports indicate that the United States’ and Republic of Korea’s estimates suggest that it is reasonable to assume that the DPRK (as at 2009) had sufficient plutonium for six to 12 first or second generation nuclear warheads. Likewise, Iran continues to assiduously develop its nuclear weapons potential. The security threat posed by nuclear empowered terrorists is well understood and will be addressed in some detail the Chapter 4. To further complicate matters is the commoditisation of WMD, Bobbitt addresses the phenomenon in *Terror and Consent*, using the case study of the illicit private nuclear weapons network engineered and run by Pakistani metallurgist, A.Q. Khan. Christopher Clary, in his thesis on the Khan network and its security implications wrote, ‘From 1976 to 2004, Dr. Abdul Qadeer Khan was at the centre of the global nuclear black market. He was not the first to benefit from the illicit trade in destructive technologies, but he

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207 ‘Sentinel Country Risk Assessment: North Korea – Strategic Weapons Systems’, Janes Website, http://www4.janes.com/subscribe/sentinel/ CNAS_doc_view.jsp?Sent_Country=Korea,North&Prod_Name =CNAS&K2DocKey=content1/janesdata/sent/cnsmu/cnasa018.htm@current, 22 January 2010. [Accessed 10 May 2010] There are significant doubts about these figures – some estimate that it may have sufficient plutonium for 20 warheads while others cast doubts on whether the DPRK has actual succeeded in manufacturing a nuclear weapon. It is believed the DPRK has the ability to deliver a nuclear weapon by aircraft and given the national priority given to ballistic missile development is able to deliver a nuclear warheads by this means. While there are significant doubts about the DPRK’s technical ability to produce reliable multi-stage (longer range) missiles, defence planners must assume that success in developing a nuclear weapons capability with intercontinental reach is only a matter of time.
accelerated the consolidation of the market.\textsuperscript{208} Khan’s network demonstrates what is possible when there is a demand (that is, from states such as Iran and North Korea) and weakness in the controls on the supply side (that is, Pakistan’s poor oversight of its nuclear programme). With the profusion of information available on the internet about nerve-agent chemistry, viruses, and weapons technologies, potential exists for private markets in each of these to evolve in time.\textsuperscript{209}

Conclusion

Australian defence planners confront a threat-environment that is heterogeneous, complex and evolving. Potentially, Australia’s security could be impacted by a range of state and non-state based threats. Many of these are known while others are still evolving, and their final form is not yet understood. In addition, there are the ‘unknown unknowns’ — threats that are yet to be conceived at all. I have used Bobbitt’s market-states conceptualisation to make sense of both the current and future security environments. In essence, while much has changed, much still remains the same for Australia. Its place in the world — its liminal status as a developed, western democracy in East Asia — is unlikely to change. Particularly given that, it is evolving into market-state with entrepreneurial characteristics while most other major regional states are tending to the mercantilist form. Australia’s reliance on overseas trade, and its history of underwriting its security by allying itself with the dominant maritime state of the day, means that Australia is exposed to a wide range of existing and potential security threats, both state and non-state based. This situation makes the formulation of a defence policy challenging in the extreme, particularly given Australia’s economic size and the enormous costs and long lead times for the major weapons systems of the future.

There is little doubt that we are witnessing an increasing globalisation of security, which means that states reaping the boons of growing economic interconnectivity require a global perspective when formulating security policy. Australia is significantly enmeshed in the

\textsuperscript{208} Christopher O. Clary, The A.Q. Khan Network: Causes and Implications, Naval Postgraduate School, Monterey, December 2005, p. 86.

\textsuperscript{209} See Bobbitt, Terror and Consent, pp. 9, 59, 98, 471, 512 and 522 for detailed discussion on globalisation fomenting increasing opportunity for development of illicit WMD markets. Bobbitt points to the explosion of information readily available related to nuclear, biological and chemical weapons production case. Most worrying perhaps is the increasing ease of genetic engineering, the willingness to post sensitive information on virus genomes etc on the Internet.
globalisation process and must recognise those global security issues that are likely to affect its interests. However, proximity still matters, though given the range of modern military aircraft ships and growing cyber warfare possibilities, proximity is a relative term. While regions and geography remain important to security calculations, one must not be mentally constrained by distance. My analysis of the East Asian (north and south), Indian Ocean and South Pacific regions is premised on these considerations. I have laboured hard not to be constrained by weapon platform ranges when assessing state threat potentials.

The above regions have an array of current and potential threats emanating from states, both strong and weak; and from non-state actors such as Islamic jihadists, international criminals, pirates and people smugglers, as well as disparate and pervasive security issues that include WMD proliferation and resource shortages. These categories are not clearly defined and there is much overlap. For example, a weak state such as North Korea, threatens East Asian security through its nuclear weapons and ballistic missile programmes. In addition, its role in the international narcotics trade creates global harm, and it is potentially the location of a humanitarian crisis of which its neighbours, China and South Korea, would bear the brunt.

While states remain the international system’s main actors, they are, as result of the forces of globalisation, undergoing a profound transformation that is affecting security. Bobbitt’s theories re-affirm the state as the key referent in the international system and provide a cogent explanation for the broadened security agenda of the post-Cold War era, including the jihadist threat. They offer some scope to predict state behaviour vis-à-vis grand strategy into the distant future. Given my proposition that Australia is evolving into a market-state with many of the characteristics of the entrepreneurial form, the regional make-up of market-states (most significantly, mercantilist market-states) and their likely behaviour is highly relevant for our future security. Bobbitt’s conceptualisations add a new and different layer of analysis of the East Asian and Indian Ocean regions’ rising great powers such as China, Japan and India - all of whom have significant armed forces with growing maritime capabilities. Of the three, I believe China represents the most significant potential threat to Australian security. This is due to its seeming evolution into an authoritarian mercantile state.

In the aftermath of the global financial crisis, relations between America and China have become more fractious. This is not surprising given China’s entrenched authoritarian regime with its increasing assertive behaviour in its international relations, and its opaque strategic
intentions and increasingly mercantilist behaviour. China does not yet represent a direct threat, due to its current lack of power projection capabilities. However, as I have noted, this will change in the next few decades. From an Australian perspective, there is the very real possibility of being drawn into a war between the United States and China through the ANZUS alliance. Australia, quite rightly, intends to hedge against a rising China. This is clearly articulated throughout the 2009 White Paper. One of most obvious measures outlined to mitigate the threat is the stated aspiration to double the submarine fleet. 210 India does not present either a direct or an indirect threat to Australian security. Given its robust democracy and the direction of its market-state evolution, there is much potential for a stronger security as well as economic relationship with the South Asian giant. There exists a confluence of security interests including a rising China; amelioration of the jihadist threat in Pakistan and Afghanistan; and piracy in the Straits of Malacca and the Horn of Africa.

I have shown that within Southeast Asia few, if any, states pose or are likely pose a significant military threat to the Australian homeland in the coming decades. Indonesia is the key Southeast Asian state and the nature of the threat it poses is not a military one, but rather the threat is from Islamist groups and separatist groups.

The South Pacific region (including New Guinea) is one of small, weak states that offer no military threat whatsoever to Australian security. Yet, almost paradoxically, Australia continues to play a major security role within the region and it is apparent Australia, as the region’s pre-eminent power, will continue to underwrite its stability through the provision of collective goods for the foreseeable future.

The Middle East is obviously important to current and future Australian security calculations. The strategic value of oil, and the threats posed by Iran and global Jihad likely mean that Australia will remain engaged with the region for the long term. With the American drawdown, Australian involvement in Afghanistan is also likely to be reduced dramatically. The Pakistan/Afghanistan jihadist nexus is likely to remain a major global problem, and it is certainly possible that Australia will contribute to future military interventions.

210 The submarine, though conceived in the nation-state era, is a perfect market-state weapon system. Fitted out with market-state ICT systems it enables the covert delivery of special forces, delivery of long range precision munitions, mining of enemy ports and SLOCs as well as the potential to mitigate an enemy advantage in surface combatants.
Home grown jihadists are likely to remain an ongoing threat to Australian domestic security. The forms of terrorist strikes could range from September 11-style attacks, to bombings (including suicide attacks) and small arms attacks. More exotic attacks are possible, including the use of radiological, chemical, and biological materials. This form of security task is particularly challenging for governments and military forces.

Not surprisingly, the ADF’s scope in domestic security has been significantly increased and this is likely to continue. It has acquired new capabilities such as the Incident Response Regiment, and significantly increased others such as the effort devoted to counter-terrorism by its special forces.

I posit that these and other changes to the country’s security and intelligence organisations, support my central argument and are indicative of Australia’s market-state evolution. Market-states expect their armed services to be able to respond to the much broader security agenda. This reflects an expectation of the market-state, with its corporate approach to governance, to garner a much greater return on the massive investment that its armed forces represent.
Chapter 4

Market-State Strategy and Operational Art: Case Studies

The Wars against Terror have begun, but it will take some time before the nature and composition of these wars are widely understood. The objective of the these wars is not the conquest of territory or the silencing of any particular ideology but rather to secure the environment necessary for state of consent and to make it impossible for our enemies to impose a state of terror. The source of these wars is not Islam but rather a fundamental change in the nature of the state and its evolving relationship to the new methods, purposes, and technologies of warfare.¹

In this chapter, through the use of case studies, I will demonstrate the veracity of my central argument, focusing on the approaches required by market-states and their armed forces at both the strategic and operational levels to prevail in the conflicts of the current century, including the wars against terror. The lessons I have identified are indicative of market-state behaviour rather than prescriptive. The first case study selected is Australia’s Indonesian foreign policy, whose centrepiece is the bolstering of its democratic experiment and efforts to develop a market economy. While I would hesitate to describe this as an integrated, deliberate strategy, it certainly has the shape and the nuances required of a market-state approach whose aim is to preclude an adverse future. In this case, the outcome to be avoided is the balkanisation of the Indonesian state and the consequent litany of adverse security outcomes likely to ensue. The second is the American strategy against al Qaeda. The aim is to demonstrate the strategic approach market-states will have to apply to ameliorate the systemic threat posed by market-state terrorists. The third case is the Multi-National Force, Iraq’s (MNF-I) conduct of the ‘Battle for Basrah’² in March-April 2008, to demonstrate the nature of the information-led operational art that required of market-state armed forces to prevail in the conflicts of the new era. Finally, the operational and tactical modality of ‘swarming’ is overviewed as it could represent the means of prevailing in market-state conflicts.

¹ Bobbitt, Terror and Consent, p. 3.
² What I have called the Battle for Basra is, in fact, the MNF-I’s response to adverse consequences of prime minister Nuri al-Maliki’s ill-conceived operation ‘Charge of the Knights’ whose aim was to take back control of the southern city of Basra from the Jaysh al Mahdi militia and assorted criminal gangs. The conflict spread quickly from Basra to Baghdad and evolved into a battle for the credibility of both the leadership of Nuri al-Maliki and the Iraqi Security Forces.
Strategy in the Nation-State Era

Before looking at the case studies, it is important to understand the evolution of strategy that is occurring as nation-states evolve into market-states. Throughout the Long War, nation-state strategy, with regard to other states, was generally based on an industrial mode of warfare. This was characterised by the use of massed forces, usually generated and sustained by conscription, and the application of overwhelming and often imprecise firepower to inflict high levels of attrition against an opponent’s military forces. By World War II, the evolution of air power meant that the protagonists were able to target each others industrial bases in an effort to starve each others armed forces of the vast amounts of materiel required to sustain mechanised warfare. In addition, they targeted urban civilian populations in an attempt to destroy their opponents’ will to fight. In conflicts between great powers, victory was usually achieved by the complete defeat of the enemy’s armed forces followed by occupation of their territories. This was a precursor to their integration into one’s own ideological camp. Thus, when Japan and Germany were utterly beaten and lay, “[p]rostrate at the feet of the victorious Allies, a Carthaginian peace was proposed and rejected. Instead these states were incorporated within the economic and security systems of the victor’.³ Both states and their allies had democratic governance and market economies imposed upon them by the victorious Allies. Likewise, the USSR imposed communism upon Eastern Europe and East Germany.⁴

With the advent of nuclear weapons, a new security paradigm came into being; conventional forces were relegated to a subsidiary role in strategic thought. Strategies of conventional limited war and nuclear deterrence evolved with the latter eventually being premised on the concept of mutually assured destruction (MAD). MAD saw each of the Superpowers’ and their allies’ population centres become nuclear targets. Moreover, one can make a strong argument that from the end of World War II to the end of the Cold War that this strategic approach was largely successful as direct military confrontation between the super powers was avoided.

³ A Carthaginian peace refers to the peace imposed on Carthage by Rome in 146 BC, in which Carthage was burned to the ground. Bobbitt, Terror and Consent, p. 195.

⁴ That is, the portion of Germany (West Germany) occupied by America, Britain and France. Of course East Germany, as it became, had a Marxist government and command economy imposed upon it by the Soviet Union.
In the post-Cold War world a further paradigm shift occurred. While the notion of deterrence based on nuclear and/or conventional forces remains relevant in inter-state relations, it has only limited utility against the array of failed state, sub-state and non-state protagonists that now populate the international stage. In addition, the nature of war or conflict between both states and non-state actors is rapidly evolving. The diffusion of military hardware, demassification of military force, commodification of WMDs, asymmetric warfighting strategies and evolving concepts of cyber warfare are combining to form a bewildering array of security challenges for nation-states. Their inability to cope with the new security paradigm has lead to the genesis of the market-state. According to Bobbitt, the wars of the new century comprise:

[...] three different but related efforts at prevention and mitigation: an attempt to pre-empt attacks by global, networked terrorists; a struggle to prevent the proliferation of weapons of mass destruction; and the worldwide endeavour to protect civilians from natural catastrophes and non-natural assaults that result in gross diminutions of humane conditions, including human rights.6

In other words, the states of consent (the West plus) are engaged in a fight against the spread of terror, in the broadest sense of the word, not just terrorists.

**Conflict in the Dawn of the Market-State Era**

The United States and its Western allies, including Australia, are attempting to develop new strategic, operational and tactical approaches to prevail in a complex new international system in which the prospect of conventional war between strong states is diminishing. That is not to say conflict between strong states is quiescent. The ‘great game’ between the major powers continues. States are resorting to information age means of coercion. I have previously described China and Russia’s recourse to cyber espionage and attacks against the United States, Britain, Australia and other states. One such attack targeted the 2009 Melbourne International Film Festival’s website, apparently for screening a documentary on the life of Uighur activist, Rebiya Kadeer. The Chinese government had earlier protested against the screening, claiming that Kadeer was a terrorist. Another incident reported in the *Canberra Times* on 17 August 2009 by Philip Doring, claimed that a brazen cyber espionage

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5 Bobbitt, *Terror and Consent*, pp. 107-17. Bobbitt details the story of Dr Abdul Qadeer Khan, a Pakistani metallurgist who was at the centre of a global nuclear black market from 1976 to 2004 to underpin the claim that in the future market-states will have to confront an active market in WMD.

6 Bobbitt, *Terror and Consent*, p. 3.
(sic) attack had recently targeted DFAT. Doring claimed that email with embedded spy-ware had been sent to department officials.\textsuperscript{7}

In the physical world, intra-state conflict and wars abound. Mary Kaldor describes these conflicts as ‘new wars’:

[a] distinction between ‘old’ and ‘new’ wars is vital. ‘Old wars’ are wars between states where the aim is the military capture of territory and the decisive encounter is battle between armed forces. ‘New wars’, in contrast, take place in the context of failing states. They are wars fought by networks of state and non-state actors, where battles are rare and violence is directed mainly against civilians...\textsuperscript{8}

The key features of the new wars are their complexity, protracted timeframes, asymmetric nature and targeting of the security of the local civilian population. I posit that the insurgencies that evolved in the aftermath of the American-led invasions of Afghanistan and Iraq fit Kaldor’s description of ‘new wars’. In each, a coalition of states of consent fought and continues to fight, a loose network of non-state actors, often with conflicting objectives. This was particularly so in the case of Iraq’s internecine conflict between Sunni and Shia militias during the period 2004-7. State actors support some of these conflicts. In Iraq, Shia militia groups were given and continue to receive extensive aid from Iran, while some Sunni militias received support by the non-state actor, al Qaeda.\textsuperscript{9}

In both conflicts, enemy groups hide and operate ‘within the people’, that is they draw succour from, but also target the security of the people to demonstrate the inability of western supported governments to maintain security.\textsuperscript{10} In Iraq, much of the actual conflict has been waged in urban environments. The urban environment provides cover and is difficult for high technology western armies to utilise fully their overwhelming advantage in information


\textsuperscript{9} The author acquired this information while attending Multi-National Force, Iraq’s daily ‘Battle Update and Assessment’ sessions during the period October 2007 to April 2008. Iran provided a wealth of ‘lethal aid’ including explosively formed projectile (EFP) and IED components, rockets, small arms, military advisers as well as training and sanctuary within Iran.

\textsuperscript{10} By ‘succour’, I mean funding, food, information, and also manpower. As its external funding was squeezed by the Coalition, al Qaeda increasingly resorted to financing its military operations in Iraq through criminal activities, including extortion and kidnappings. NB. The author acquired this information while attending Multi-National Force, Iraq daily ‘Battle Update and Assessment’ sessions during the period January to April 2008. This behaviour was extensively exhibited by AQI in the northern town of Mosul.
gathering, firepower and manoeuvre. In addition, detection of enemy fighters is difficult in the complex terrain and ‘noise’ of major cities. The population and the indigenous security forces were targeted more often than were the professional and ‘hardened’ western soldiers.\textsuperscript{11} The city offers the insurgent a multitude of targets of opportunity as it is difficult for the security forces to protect all the markets, religious gathering places, public buildings, crowds gathered at checkpoints and so on.\textsuperscript{12} We are, according to John Arquilla, seeing in these and other conflicts the evolution of a new way of war which he calls ‘swarming’.\textsuperscript{13} This will be overviewed conceptually and then assessed in terms of its relevance to the ADF, in the fourth case study.

In 2006, we saw an example of the continuing mutation of warfare. States such as Iran and Syria are too weak express their enmity towards the United States and Israel directly. Instead, they have out-sourced to a proxy non-state entity, Hezbollah, to undertake direct action. Israel, used to battling a traditional insurgency in Gaza, was ill prepared for the conflict that ensued.\textsuperscript{14} Hezbollah, who fits somewhere between a terrorist organisation and insurgent group, bloodied the Israeli Defence Force’s (IDF) nose in an asymmetric conflict, during which they blended conventional and insurgent tactics. While Israeli military superiority eventually asserted itself and the IDF won a tactical victory, Hezbollah’s ability to fire rockets at Israeli population centres until the end of the conflict; and the organisation’s survival with seemingly most of its military capabilities still intact, allowed it to make a plausible claim (to the world’s media) that it had won a strategic victory.

The US-led Global War on Terror against al Qaeda’s core leadership, franchises and affiliates, is somewhat different to one of Kaldor’s new wars, in that it is global in scope. Al Qaeda has a clear transnational vision and it is engaged in a war of ideas with the United States and the non-Muslim world on the one hand, and with secular Muslim states on the other. Essentially, it is feudalistic based on theocratic sectarian governance and anti-

\textsuperscript{11} ‘Hardened’ means physical protection measures such as body armour and the proliferation of armoured vehicles for all military and civilian personnel associated with the Coalition’s efforts.

\textsuperscript{12} AQI sought to stage ‘spectacular attacks’, that is, large scale high casualty rates designed to gain global media attention. These media events conveyed to the local population, the American people and the world at large that the GOI, the ISF and the Coalition cannot provide basic security for Iraqis.


\textsuperscript{14} Bobbitt, Terror and Consent, p. 127.
materialistic. It seeks to impose spiritual purity on the *ummah* under Sharia law. Al Qaeda’s aim is to foment regime change across the Muslim world, with the replacement of corrupt apostate governments to be replaced a transnational caliphate. In effect, its leaders seek a global state of terror to control the *ummah* and threaten western and other states. However, at the operational level the subordinate campaigns conducted by regional affiliates or franchises in countries such as Iraq, Afghanistan, Yemen, Somalia and Saudi Arabia can also be categorised as examples of ‘new wars’.

**Case Study One:**
**Bolstering Democracy in Indonesia: a Preclusive Strategy?**

The proximity of Australia’s northern neighbour, along with its geographic position astride the northern approaches to the Australian mainland, its population size, and the dominance of the Islam within its society combine to ensure that Indonesia remains central to Australian security calculations. In effect, Indonesia is Australia’s gateway to Asia, both literally and figuratively. A sound relationship with a strong Indonesian state enhances Australia’s access to, and its ability to influence ASEAN specifically and Asia, in general. Likewise, a strong Indonesia helps militate against possible future hegemonic ambitions of the wider region’s great powers.

Indonesia’s difficult geography, its developing economy and its population’s disparate ethnic composition are major challenges for its central government. Traditionally a strong and authoritarian government, it has used the Indonesian armed forces (TNI), with which it has had, until fairly recently, an almost symbiotic relationship, to maintain territorial integrity by ruthlessly suppressing secessionist movements. Currently, the government and the TNI are grappling with a long-term secessionist movement in Papua. In addition, as was the case with the East Timorese before their independence from Indonesia, the plight of Papuans has some resonance with a significant proportion of the Australian population. On the other hand, Australian governments of both political persuasions have long been fearful of a fragmenting Indonesia.

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The importance of Indonesia as the world’s largest Muslim state came into sharp relief after September 11. A stable, secular Indonesia is critical in the war of ideas between moderate and militant Islam. In addition, Indonesia has had to deal with Islamic militants Darul Islam (DI) and Jamiyah Islamiyah (JI) for much of the period since its independence from the Netherlands in 1948. JI is aligned with and supported by al Qaeda and is responsible for a series of high profile bombings, including the 2002 Bali bombings. While Indonesia has had major success in ameliorating the JI threat since 2002, with some considerable assistance from Australian government agencies, in particular the Australian Federal Police (AFP), the group retains significant operational capability. The hotel bombing in July 2009 in Jakarta, in which three Australian citizens were killed, is illustrative.

The Australian relationship with Indonesia, since it won independence from the Netherlands, has been at times fractious. It has been coloured by mutual suspicion, both at the public and elite levels. Regular crises have punctuated it, ranging from Konfrontasi at the time of Sukarno’s rule in the 1960s, the Indonesian invasion of East Timor in 1975, the Australian-led intervention into the then Indonesian province in 1999, the Bali bombings of 2002 and 2005, the Papuan Asylum crisis in 2006. The 2002 Bali bombings focused Australian concerns on the threat posed by radical Islam from within Indonesia. In the period 1999 to 2004, relations remained chilly despite the close cooperation in the response to the Bali terrorist attack. They thawed somewhat in 2004 when Susilo Bambang Yudhoyono was elected president, and Australia responded expeditiously and very generously to assist Indonesia in the aftermath of the Boxing Day tsunami. Relations have continued to improve since then despite the Australian government’s granting of asylum to Papuans in 2006.

The Lombok Treaty, negotiated in 2006 by the Howard government, came into force in 2008 and along with the security agreement on countering terrorism has further bolstered relations. The Rudd government also was proactive. Some of the highlights include Rudd’s visit in June 2008; the Yudhyono reciprocal visit (with of his 12 ministers) in March 2010 where he was accorded the honour of addressing a joint sitting of Parliament; and as of the second half

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of 2010 there have been 70 two way ministerial visits since September 2007. However, much more ballast is required, such as improved greater Australian public understanding of Indonesia and its people as well as more balanced reporting by the Australian media, to protect the relationship against the next crisis.

As discussed previously, if Indonesia continues to ameliorate the internal challenges to its cohesion as a state, it is likely to become more outwardly focused. If this occurs, it will once again assume its position as ASEAN’s natural leader. It follows, that a strong bilateral relationship with Indonesia strengthens Australia’s future position with ASEAN and its overall engagement with Asia. The converse is true; poor relations with our near neighbour would make meaningful engagement more difficult.

Indonesia has become a significant facet of Australia’s relationship with the United States. Indonesia is an important part of the United States’ engagement with both Southeast Asia and the broader Muslim world. There is a further confluence of strategic interests in America’s concern with growing Chinese influence in Southeast Asia. In July 2009, Secretary of State, Hilary Clinton signed the ASEAN Treaty of Amity and Cooperation (TAC). Clinton assured ASEAN that the United States remained engaged in Southeast Asia. A positive, strong Australian relationship with a strong Indonesia could significantly help American engagement with the Muslim world and mitigate Chinese influence in the region.

Australia has a large stake in the continuing success of Indonesia’s democratic experiment. Specifically, the current evolution to a decentralised power sharing arrangement between the central government and provincial governments; a strong, corruption-free judiciary; an effective independent central bank; and a professional, ethical military would encourage Indonesia’s evolution into a market-state of consent. Likewise, President Yudhoyono’s efforts to develop the economy, making it more resilient, sophisticated and attractive to

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20 Mackie, pp. X, 8. Mackie notes that if Australia got into a serious dispute as it did over East Timor in 1999, other Asian states would find it difficult to openly side with Australia against Indonesia.


22 Mackie, p. 12.
foreign investors, are critical in the project to lift more Indonesians out of poverty giving
them a meaningful stake in the state.

Foreign investor sentiment towards Indonesia improved following the 2004 election
of President Yudhoyono, reflecting his Government’s determination to improve
economic growth and the investment climate, including by improving
infrastructure, strengthening the legal framework, enhancing governance and
reducing fuel subsidies.\textsuperscript{23}

If Indonesia’s democratisation project continues unabated, it will provide a strong basis for
the Australian/Indonesian relationship to deepen and broaden beyond strategic confluence
and economic self-interest to include common political ideals.

In recent years, Australian efforts along multiple lines of operation have the shape, I would
posit, of a preclusive strategy. I would hesitate to label the various activities Australia
conducts in its relations with Indonesia a strategy per se, as this implies a coherent, deliberate
plan. Nonetheless, together these activities in concert with similar activities by other states
have the potential to achieve the strategic outcome of precluding the balkanisation of
Indonesia with all the adverse outcomes that this would imply. They help bolster the
development of a secular, democratic Indonesian state underpinned by a vibrant modern
economy. While I am sure that Australia’s Indonesia policy is not described by DFAT and
the government in such terms, their aims are very similar.

The Australian approach towards Indonesia is, I would argue, very much that of a market-
state. It recognises the new economic and security realities that are moving developed and
developing states into relationships recognising mutual dependence and the need for broad
based cooperation on an array of issues. Australia and Indonesia cooperate across a range of
security issues ranging from counter terrorism including military training to transnational
crime, to education and the environment where Australia is providing assistance in
Indonesia’s formulation of a carbon emission trading scheme, assisting and an approach to
facilitate better forest management to economic development. A nation-state approach still
underpins part of the formal security relationship, namely the Lombok Agreement, but it is
supplementary rather than central to the overall relationship.

\textsuperscript{23} Indonesia Country Brief, Department of Foreign Affairs and Trade Website,
The implicit aim of the Australian approach is to preclude the weakening of Indonesian governance and the likely second order effects, namely the growth of militant Islamic and separatist movements; the creation of opportunity for an increase of unwelcome great power influence in the Southeast Asian region. Another lesser, though very significant issue from an Australian perspective, is the weakening of Indonesia’s control of its territorial waters that could lead to an increase in activities in people smuggling and illegal fishing within Australian territorial waters.24

**Lines of Operation**

I posit that five general lines of operation are discernible in the Australian approach, these are political/diplomatic, economic social/cultural, security and environment.

**Political/Diplomatic**

There has been, and continues to be, considerable effort put into diplomatic relations with Indonesia by successive Australian governments of both political persuasions, including that of Prime Minister Gillard. Naturally, the government-to-government aspect of the relationship is critical as it sets the tone. Generally, relations at this level have been cordial and productive, however, the challenge remains to smooth the peaks and troughs and mitigate the fractiousness that has characterised the overall relationship. Relations in the aftermath of the last major diplomatic crisis, that is the Papuan asylum seekers in 2006, have remained sound. The Lombok Treaty, signed in 2006 and brought into force in February 2008, currently underpins the formal security aspects of the relationship. The treaty addresses traditional security concerns such as territorial integrity and respect for sovereignty, and non-traditional issues such as transnational crime and global terrorism.25 Likewise, Track One interactions, in particular the leaders’ dialogue, provide the Australia-Indonesia Ministerial Forum with the opportunity for senior government ministers to build rapport with their Indonesian counterparts and address a broad range of issues. In addition the annual Australia-Indonesia trade Ministers’ Meeting (TMM), whose aim is the promotion of trade and

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24 Of note is an Australian information campaign designed to dissuade Indonesian fishermen who have for generations plied their trade in the waters directly to the north of Australia.

investment, seeks to resolve impediments through promoting multi-level dialogue. While beneficial to bilateral security agreements, Track One dialogues are little more than conventional nation-state behaviour.

Australia’s political and diplomatic policy towards Indonesia assumes a more market-state flavour with its targeted funding of areas that bolster democratic political process. For example, Australia contributed $6.2 million in funding to assist Indonesia hold the April 2009 parliamentary and presidential elections. The Australian Electoral Commission assisted its Indonesian counterpart with training of election officials and the production of training manuals. Also the Lombok Treaty, while by and large a nation-state security instrument, has market-state features as in its call for cooperation on non-traditional security issues as noted above, such as cooperation between law enforcement cooperation across a broad range of issues including money laundering, people smuggling, cyber-crime and financing of terrorism. To reinforce cooperation in countering terrorism, the 2002 Counter-terrorism Memorandum of Understanding was extended for a further three years in 2008.

The significant effort to improve relations at the official level does not appear to translate into tangible long-term improvement in public opinion. Australian public opinion towards Indonesia changes from year being strongly influenced by major and usually negative events such as the Bali bombings, Schapelle Corby’s arrest and subsequent incarceration, the Papuan asylum seeker crisis of 2006, and the recent issue in relation to the treatment of cattle in Indonesian abattoirs.

**Economic**

Economic interactions between states are as fundamental to international relations as war and conflict. However, during the nation-state era they proved to be no guarantor of peaceful relations despite claims of the opposite. The deep and broad economic relationship of Great

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26 Indonesia Country Brief, Department of Foreign Affairs and Trade Website.
29 Mackie, pp. 105-8.
Britain and Germany prior to World War I is illustrative. However, economics in the market-state era is more vastly more complex than it was in the previous era. The truly globalised nature of financial markets is but one factor that is causing increasing interdependence between states. The almost symbiotic relationship between relationship between the United States and China demonstrates this new reality. Any military conflict between the two would have potentially catastrophic consequences for both, particularly in the wake of the global financial crisis. Likewise, the integration of the economies of the European Union member states has led to grand plans for political integration. In other words, the old truisms may no longer be as valid as they were during the Long War.

The combined trade between Australia and Indonesia was worth $9.5 billion in 2008, making Indonesia Australia’s 13th largest trade partner. Australia’s Foreign Direct Investment in Indonesia was worth $2.05 billion in 2008. These are significant but not spectacular numbers. Indonesia’s economy has recovered from the 1997-8 financial crisis and generally has developed very well under the stewardship of Yudhoyono, and the despite the global financial crisis, the signs for this continuing remains promising. According to Mackie, several factors underpin the prospect of ongoing economic progress. These include the ongoing effectiveness of Suharto’s population control measures, that is, family planning education programs have, and continue to be extremely effective — Indonesia’s population should peak at 280 million in the middle of this century. Transport and communications networks — air, shipping road, rail, IT and satellite — now bind the country like never before. Progress in education since independence has been exceptional, though funding issues remain.

Despite significant challenges such as infrastructure shortfalls, official corruption, an inefficient tax system, the ongoing requirement for legal and governance reform, the overall

30 Paul A. Papayoanou, ‘Draft: Interdependence, Institutions, and the Balance of Power: Britain, Germany and World War I’, *International Security*, Vol. 20, no. 4, Spring. 1996. Britain and Germany’s economic ties were more entwined and diverse prior to 1914 than any time prior or since— as at 1996.

31 This is demonstrated on a number of levels; the American public has an insatiable appetite for cheap consumer goods from China while its government has a similar appetite for Chinese credit to fund its burgeoning deficit. On the other hand, China’s reliance on exports to drive its economic development means it must have access to the world’s largest economy to sell its products.


33 ‘Indonesia Fact Sheet’, Department of Foreign Affairs and Trade Website.

34 Mackie, pp. 90-2.
prognosis is quite good. Australia is well placed to capitalise on this prospective economic development. Of significance is the current study into the viability of a Free Trade Agreement (FTA) between the two countries. If implemented, it has the potential to create greater trade activity, and should facilitate deeper economic integration.35

Australian government aid was worth $452 million in 2009/10, making Indonesia its largest recipient.36 It is highly targeted to specific long-term goals. The road and school building programs, for example, seek to assist Indonesia’s long-term economic development and encourage a state-based secular education, respectively. At the time of the global financial crisis, the Australian government agreed to provide a US$1 billion standby loan as part of a US$5.5 billion World Bank-led package.37 This represents a significant but worthwhile investment by Australia in future Indonesian economic prosperity. It too, is illustrative of a market-state approach; by fostering future Indonesian economic prosperity, it deepens the stake in the state of the broadest section of the population and helps mitigate the potentially radicalising influence of poverty.

Social/Cultural

Within this category are those cultural exchanges and other activities designed to mitigate mutually held misconceptions and enhance understanding of each other’s society and culture. This includes broadening religious understanding through interfaith dialogues and increasing education linkages for Indonesian students to attend Australian universities, and the promotion of secular education at the primary level in Indonesia through the construction of public schools. The Australian Indonesian Institute’s work in generating a range of programs to increase people-to-people contact and foster greater mutual understanding is potentially a major vehicle for broadening the relationship.38

The mitigation of Australian public misconceptions regarding Indonesia, including the conflation of Islam with terrorism at both elite and public levels, is a difficult task that may take a generation or two of concerted effort. The work of the Australian Indonesian Institute,

36 ‘Indonesia Country Brief’, Department of Foreign Affairs and Trade Website.
37 ‘Indonesia Country Brief’, Department of Foreign Affairs and Trade Website.
38 ‘Indonesia Country Brief’, Department of Foreign Affairs and Trade Website.
founded in 1989, in building bridges between the two states has been useful in this regard, but according to Mackie it requires considerable additional funding if it is to expand its programs to the extent that they will have a truly meaningful impact in the future.  

Regional interfaith dialogues commenced in December 2004, the first being co-hosted by Australian and Indonesia. These dialogues sought to empower moderate religious leaders, and bolster the role of faith and community leaders in bridging differences within Southeast Asia. As of October 2009, five had been conducted throughout the region, with the last one being held in Australia. This is a laudable undertaking but will require concerted efforts over a long period to make an impact, a fact tacitly acknowledged during Prime Minister Rudd’s June 2008 visit to Indonesia when he and President Yudhoyono committed to cooperate in expanding the scope of interfaith dialogues.  

Mackie posits that there is very little direct action that Australia can take when it comes to religion as the gulf between the two states is broad, and was exacerbated or at least not helped, by Australia’s unflinching support for America in its wars in Iraq (Howard government) and Afghanistan.

Australia has a major stake in promoting the growth of a strong and vibrant secular education system in Indonesia to mitigate the radicalising effect of some of the sectarian madrasas. However, Mackie notes that only a small proportion of madrasas are propagating a radical version of Islam to their students. Nonetheless, it is in Australia’s long-term interests to help minimise the opportunity for the radicalisation of Indonesian youth. The major activity focused on this outcome is the Australia-Indonesia Basic Education Program whose specific aim to raise the net enrolment rate in junior secondary education from its current level of 75 per cent to 95 per cent by 2012. It will see the construction of 2000 primary schools across 20 of Indonesia’s poorest provinces.

The number of Indonesian students at Australian universities is probably Australia’s greatest soft power asset in the Indonesian relationship. Over several decades, a large number of

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39 Mackie, p xii.
40 ‘Indonesia Country Brief’, Department of Foreign Affairs and Trade Website.
41 Mackie, p. 81.
42 ‘Indonesia Country Brief’, Department of Foreign Affairs and Trade Website.
Indonesians have studied in our tertiary institutions. They are the largest international recipients of graduate-level scholarships in our universities, and we host the largest number of fee-paying Indonesian university students studying abroad. As Hal Hill notes in an article on the rise of Indonesian scholar and economic policy maker, Boediono, to the Vice Presidency in 2009 and the consequences for Australia:

[m]ore so than alumni from almost any other country in Southeast Asia, these Indonesian graduates increasingly occupy senior positions in government, business, universities and civil society. It is no exaggeration to say that this is probably the single most important dynamic in the bilateral relationship. At elite levels in Indonesia, we are probably now better understood than any other western nation. And the fact that many earlier Australian graduates send their children here to study adds further momentum.\textsuperscript{44}

The Yudhoyono administration, which assumed power in October 2009, contained three cabinet ministers who were graduates of Australian universities; including vice president Boediono has close Australian connections. For more than a decade, he had been the most important economic policy-maker in Southeast Asia’s dominant power.\textsuperscript{45} The long-term pay off to Australia from the export tertiary education is potentially immense. It is a true market-state approach to a complex issue — using the potent mix of excellent Australian educational facilities and attractive lifestyle to positively influence future generations of Indonesian leaders.

Traditionally, Indonesia has been viewed as a major security threat by a significant proportion of Australians.\textsuperscript{46} This is exacerbated by ‘[t]he vehemence of the more negative public opinion expressed about Indonesia in the more extreme cases, however, that is the most disturbing, and the starkly ignorant, insulting quality of it which is not heard about other countries’.\textsuperscript{47} Mackie views this as an almost intractable problem for the Australian government. A market-state solution would be a pervasive, long-term public relations campaign synchronised with a series of major events such as the Ministerial Forum and Prime Ministerial visits and the fostering of broader people-to-people interactions.

\textsuperscript{44} Hill, ‘Indonesia’s New Leadership’.
\textsuperscript{45} Hill, ‘Indonesia’s New Leadership’.
\textsuperscript{46} See Ian McAllister, \textit{Representative Views}, p. 13. This shows the Australian publics prevailing concerns regarding Indonesia. Also see Mackie, p 106. Mackie however, challenges the worth of opinion polls as a snapshot in time and hostage to recent events. He suggests that uniform and apt questioning conducted over an extended period would establish trends.
\textsuperscript{47} Mackie, p. 107.
Security

The first major security agreement between the two states was the Agreement on Mutual Security (AMS), signed by Prime Minister Paul Keating and President Suharto in 1995. The AMS was non-binding and vague, with an understanding that both parties would ‘consult and consider necessary measures’ in the event of ‘adverse challenges’ to either party. As Mackie suggests, this was a major step for non-aligned Indonesia and while falling well short of a treaty, for Australia, any agreement with Indonesia is better than no agreement.\footnote{Mackie, pp. 29-30.}

The AMS’s successor, the 2006 Lombok Treaty is a nonbinding, bilateral agreement, whose aim is to deepen and broaden cooperation and exchanges on matters affecting common security, provide a legal framework for dialogue, and the implementation of measures to combat terrorism and transnational crime. It also aims to strengthen cooperation in defence, law enforcement, intelligence sharing, maritime and aviation security, measures to combat the proliferation of WMD, as well as emergency response and management. The agreement also provides for the formulation of separate formal arrangements in specific areas.

There is an obvious confluence of interests for Indonesia and Australia in regional security, particular in the area of counter-terrorism. In February 2002, the two countries signed a non-legally binding Counter-terrorism Memorandum of Understanding that was extended for another three years in February 2008.

In the aftermath of the October 2002 Bali bombings, Australian and Indonesian authorities have worked closely in investigating this and the several attacks that followed. Most notably was the development of close relations between the AFP and its Indonesian counterpart.\footnote{‘Indonesia Country Brief’, Department of Foreign Affairs and Trade Website.} In addition, Indonesia is a beneficiary of Australia’s counter-terrorism assistance programs — a collective good provided to the Southeast Asia region.\footnote{‘Indonesia Country Brief’, Department of Foreign Affairs and Trade Website.} In addition, there is now police and financial intelligence sharing, and cooperation on border control, people smuggling, and
transport security. One tangible example of broader security cooperation is the funding of the international Jakarta Centre for Law Enforcement Cooperation that commenced in 2004.  

Australia and Indonesia had had a long term military security relationship, which included exercises and exchanges of officers for training opportunities. It was scaled back for several years in the aftermath of the 1999 East Timor intervention. It is now re-built, but on a broader basis than before. Along with the resumption of joint exercising and officer exchanges, there is a strong focus on counter-terrorism cooperation, including training. In addition, formal arrangements are now in place for Australian assistance (primarily military) in the event of humanitarian disasters.

From a market-state perspective, Australia’s approach to an Indonesian security relationship is founded on flexibility and mutual benefits. Formal security agreements are loose and non-binding, and seek to build a spirit of cooperation across a broad range of mutually important security issues.

**Environment**

Environmental degradation is already a major problem for Indonesia and its people, effecting biodiversity and potentially food security. In the area of carbon emissions — a global phenomenon and clearly beyond any one state to mitigate — it makes sense for Australia to try and influence Indonesia to reduce those activities that contribute to the problem. During his 2008 visit to Indonesia, then Prime Minister Rudd and President Yudhoyono released a Joint Statement on Climate Change. The statement described the two states’ resolve to respond to the serious challenges of climate change, and called on world leaders to agree to a long-term carbon emission goal as laid out in the 2007 Bali Action Plan. A more concrete measure was their signing of the Indonesia-Australia Forest Carbon Partnership which establishes a framework for cooperation on reducing emissions caused by deforestation and forest degradation in developing countries (REDD). Specifically, it sees cooperation in: ‘[p]olicy development and capacity building to support participation in international

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51 Mackie, pp. 30-1.

52 ‘Indonesia Country Brief’, Department of Foreign Affairs and Trade Website.
negotiations and future carbon markets; technical support for forest monitoring and measurement; and the development and implementation of REDD demonstration activities.\(^{53}\)

The two states also cooperate to mitigate the threat potential of avian influenza. Australia will have contributed a total of $34 million over four years (from December 2006) to build Indonesia’s capacity to deal with an outbreak of the disease, by providing of 50,000 courses of the anti-viral, Tamiflu, and training laboratory staff to diagnosis of the virus.\(^{54}\)

Illegal fishing in Australia’s northern waters, primarily by Indonesians, is a long-term problem affecting the viability of the fishing industry in Australia’s north. In 2007-8, Australia committed an additional $603.9 million towards the problem, mainly for monitoring, control and surveillance activities. Less reactive but more interesting and potentially more beneficial, is Australia’s involvement in supporting the development of alternative livelihoods for illegal fishers in Eastern Indonesia. This is truly a market-state solution to the problem. As the sum above indicates, protection of borders is ultimately overly expensive and unsustainable in the long-term.\(^{55}\)

**Case Study One Conclusion**

As I have noted above, Australia’s approach to security with Indonesia has many market-state characteristics. It recognises the new economic and security realities that are moving states into relationships based on mutual dependence and broad-based cooperation. Australia and Indonesia currently cooperate across a range of issues, including counter terrorism, transnational crime, education and the environment. A nation-state approach still underpins formal security relations, namely the Lombok Agreement but it is supplementary rather than central to the overall relationship. The implicit aim of Australia’s engagement with Indonesia is to preclude any attenuation of its governance and likely effects, which include the growth of militant Islamic secessionist movements, and increased great power influence in the Southeast Asian region.

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\(^{53}\) "Indonesia Country Brief", Department of Foreign Affairs and Trade Website.

\(^{54}\) "Indonesia Country Brief", Department of Foreign Affairs and Trade Website.

\(^{55}\) "Indonesia Country Brief", Department of Foreign Affairs and Trade Website.
Case Study Two: 
Defeating al Qaeda - an Evolving Preclusive Strategy?

As 2008 dawns, it has become apparent that though this strategy engendered many unforeseen costs, it has proven successful at grinding al Qaeda into nonfunctionality. Put simply, the jihadist war is all but over; the United States not only is winning but also has an alliance with the entire constellation of Sunni powers that made al Qaeda possible in the first place. The United States will attempt to use this alliance to pressure the remnants of al Qaeda and its allies, as well as those in the region who are not in the alliance.  

Al Qaeda is the first of the market-state terrorist organisations and it is from this perspective I will overview the nature of the threat it represents to the international system, in particular, to the states of consent; and I will identify its strengths and weaknesses. I will then critique the current American strategy and suggest some modifications that would make it more appropriate for the market-state era. These are not meant to be a blueprint for future operations; rather they are indicative of an overall approach whose aim is mitigation of the threat posed by al Qaeda and its successors.

Al Qaeda has evolved organisationally and significantly altered its strategic approach since the attacks against the United States in September 2001. On one hand, it has suffered major setbacks, including the loss of its special relationship with the Afghan state. A number of its major figures have been killed or captured and it has seen its operational successes in Iraq reversed by the concerted efforts of Coalition forces, particularly under the leadership of General David Petraeus (2007-2008). On the other hand, its successes include the Taliban resurgence in Afghanistan, and its Somali and Yemeni franchises are prospering. The al Qaeda core leadership — bin Laden’s trusted inner circle — remain holed up in Pakistan, focused predominately on survival rather than the planning and execution of more September 11-scale operations. As reported in Stratfor’s 2008 Annual Forecast, al Qaeda’s messianic ambitions of a pan-global caliphate show little progress:

Al Qaeda’s ultimate goal with the 9/11 attacks was to provoke the United States to slam into the Middle East and generate such anger that the Muslim masses would overthrow the local regimes allied with Washington, ushering in a modern caliphate. In 2007 it became bluntly apparent that al Qaeda’s dreams have been dashed ...

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Jihadist-inspired terrorism will continue, but in reaching its strategic goal — re-creating a caliphate — the ideology of jihadism has been an utter failure.\textsuperscript{57}

Martin J. Hart, an analyst with the CIA, suggests that al Qaeda's inherent weaknesses, principally its reliance on the radicalising effect of violence, has and will continue to prevent it from translating:

[i]ts post-September 11 approval in the Muslim world into a mass movement jihad against the West [its] weaknesses are likely to prevent progress and gradually discredit its vision for the future of Islam.\textsuperscript{58}

Bruce Riedel, on the other hand, argues that the fact the al Qaeda core leadership remains at large is, in itself, a triumph, giving hope and inspiration to the polyglot membership of its far-flung jihadist network.\textsuperscript{59} In addition, America remains embroiled in what he describes as 'bleeding wars'\textsuperscript{60} in Iraq and Afghanistan and the number of franchisees and affiliates continue to grow.\textsuperscript{61} Bobbitt too, sees al Qaeda as a major ongoing threat but more in relation to the paradigm shift in international security it represents rather than its virulence.

From Organisation to Movement: Growth or Decline?

Bin Laden and his core leadership were unable to execute an event on the scale of September 11 in the more than nine years since that terrible day to his recent death. Hart suggests that al Qaeda, the organisation, is becoming increasingly irrelevant as the organisation evolves into a movement.\textsuperscript{62} Due to the pressure the United States and its allies have applied, it is forced into deep cover, restricting both its ability to raise funds and maintain an ongoing dialogue with its followers. It has had to let others do its fighting for it. It has established franchise-like


\textsuperscript{58} Martin J. Hart, 'Al Qaeda: Refining a Failing Strategy', Joint Force Quarterly, Issue 51, 4th Quarter, NDUPress@ndu.edu, Washington, 2008, p. 117.

\textsuperscript{59} The death of bin Laden on 1 May 2011, of course, weakens this proposition. If the Americans can act rapidly on any so-called 'actionable intelligence' obtained during the special forces raid, the al Qaeda core leadership could face an existential threat.

\textsuperscript{60} These are wars that are literally designed to bleed the United States of 'blood and treasure' and eventually destroy its will to continue to fight.


\textsuperscript{62} Martin J. Hart, 'Al Qaeda: Refining a Failing Strategy', p. 123.
arrangements with Jemaah Islamiyah (JI); the Iraqi militant group al Qaeda in Iraq (AQI); and, Algeria’s Salafist Group for Preaching and Combat, now called the ‘al Qaeda Organisation for the Countries of the Arab Maghreb’ and so on.

This devolution to an over watch role — providing inspiration and perhaps some degree of direction and resourcing to local movements — gives al Qaeda the geographical reach that it lost in the aftermath of September 11. However, the franchises too are enjoying mixed results. JI is splintering and faltering, having lost several key leaders in recent years; and AQI, while capable of mass casualty attacks, remains a rump of its pre-Surge self and the prospects seem poor for resurgence, even though America has now drawn down the bulk of its troops. While the Saudi, Somali and Yemen affiliates have enjoyed some limited success in the period 2008 to 2011, it does not add up to a strategic level shift. However, the movement remains highly dangerous and it has a seeming limitless supply of young Muslims across the world, including within the western states, willing to strike a blow in its name. Coupled with this, is the problem of the large pool of foreign fighters who have gained valuable operational experience in Iraq and have since returned home.

Riedel, as noted above, demurs from the above views. He suggests that writing an obituary for al Qaeda is premature. He argues that history shows that this is wishful thinking, observing that the organisation is resilient and very adaptive — on a regular basis it critically assesses its strategy and operations and changes its approach accordingly. He uses a market-state analogy to describe its current circumstances. He describes al Qaeda as being like a large corporation with its central headquarters in South Asia with affiliates and franchises around the Islamic world. From these it can stage raids into the Christian and Hindu worlds. The Iraq and Saudi franchises are on the defensive while others in Yemen, North Africa, Libya, Pakistan and the Levant states are in a growth phase. As in any corporation, various franchises are stronger or weaker at any given time, depending on local


65 Riedel, The Search for Al Qaeda, p. 135.
conditions. Riedel sees the al Qaeda core leadership as being much more operationally active than determined by Friedman and Hart. While he suggests that it is aggressively pursuing a growth strategy, he does agree that ultimately the critical factor is the health of the organisation’s centre. It is fair to say, at this point, the centre’s health is suspect and danger of rapid decline.

**Market-State Terrorism**

Bobbitt argues that al Qaeda is not the ultimate market-state terrorist organisation; rather it is a forerunner of things to come. Its legacy will pave the way for those who follow. In other words, al Qaeda has changed the rules of the game by shattering the nation-state terrorist paradigm. So what distinguishes al Qaeda from nation-state terrorist groups such as the Irish Republican Army (IRA), the Palestine Liberation Organisation (PLO), Tamil Tigers, and Euskadi Ta Askatasuna (ETA)? According to Bobbitt, transnational terrorism as represented by al Qaeda has the potential to undermine the very integrity and value of the society of states. It has revisionist global ambitions rather than nationalist aspirations and unlike nation-state terrorism, market-state terrorism does not rely on state sponsorship nor is it constrained by limits on violence that state sponsors placed on themselves or their proxies.

And so it will be when the market-state finds it has generated a terrorism that negates the very individual choice that the State exalts, and puts in service of that negation the networked, decentralised, outsourced global methods characteristic of the market-state itself.

In the 20th century, terrorists had a national or domestic focus. They committed criminal acts such as arson, murder and kidnapping to achieve political goals. Al Qaeda, by merging insurgency and terrorism, is seeking to affect global change, that is, by using terror it seeks to replace regimes throughout the Muslim world including, Saudi Arabia, Egypt, Palestine, the Emirates and Jordan. Its aims are to force America to change its policy of supporting these regimes, and foment and then shape insurgencies throughout the Muslim world.

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68 Bobbitt, *Terror and Consent*, pp. 4-5, 44-5.
69 Bobbitt, *Terror and Consent*, p. 44.
70 Bobbitt, *Terror and Consent*, pp. 68-75.
Bin Laden used the international media to conduct diplomacy, which is also a feature of that undertaken by market-states. Al Qaeda’s ‘spectacular attacks’ characteristically comprise multiple bomb blasts designed to cause mass casualties. This type of attack has occurred in Bali, London and Madrid, and throughout Iraq and Afghanistan. They are designed to garner the international media’s focus and thus deliver bin Laden’s message of violent jihad to his target audiences — the people of the Western and Islamic worlds. Bin Laden understood the need to win over public opinion in the Muslim world if he was to succeed in achieving his vision of a global caliphate.\footnote{Bobbitt, Terror and Consent, pp. 143-4. Riedel describes al Qaeda’s relationship with Afghanistan as being more like equal partners and al Qaeda was almost a state within a state. Riedel, The Search for Al Qaeda, p. 65.}

The relationship between al Qaeda and Afghanistan under the rule of the Taliban is also indicative of market-state terrorists. Al Qaeda is not, and never was, an Afghan Taliban proxy in the way Hezbollah has been for Iran, and nor was it constrained by that state in terms of any limits to its violent ambitions. There is evidence to suggest that prior to 2001, al Qaeda was actively seeking to acquire WMD and had intended to use them against a western target.\footnote{Bobbitt, Terror and Consent, p. 59.} Al Qaeda brought considerable financial resources to Afghanistan, and the relationship between bin Laden and Mullah Omar was that of co-equals; partners in a grand mission.

In the aftermath of the 2001 American-led invasion, al Qaeda re-located to Pakistan, assessed and then modified its strategy, and continued its operations in the Middle East and beyond via its franchisees. Admittedly, since then al Qaeda Prime has had to focus on its operational security and survival of its key figures at the expense of a dramatically reduced operational capacity.

Several main features differentiate al Qaeda from nation-state terrorists. It has global rather than national ambitions, seeking a global caliphate ruled by a theocracy guided by the Sharia for the Muslim ummah. It shares the structure of the market-state and utilises many of its practises while defining itself by its rejection of its ideology.\footnote{Bobbitt, Terror and Consent, p. 64.} It generates a greater number
of civilian deaths. Ultimately, al Qaed a seeks to exponentially increase civilian casualties through the use of WMDs. Its ability to raise funding is much greater than nation-state terrorists, meaning that it can outsource its operations thus facilitating greater reach and increased efficiency. It operates like a venture capitalist, in that it funds terrorist entrepreneurs who outsource to local groups — as was case with September 11 where Mohammed Atta approached bin Laden with his plan and received from him his blessing and the resources to proceed. Subsequent operations in Bali, Egypt, Iraq, Britain and Spain followed a similar pattern, that is, local operatives linked up with al Qaeda representatives to plan and execute acts of terror against civilians. Al Qaeda relies on the internet for communication of its ‘message’, fund-raising, worldwide recruitment and training. The radical increase in power of media is reason for growth in the dramaturgical elements of 21st century terrorism to expand. Terrorism as the extension of diplomacy by states of terror will come via theatrical means. Al Qaeda’s use of franchises to achieve its strategic objectives is very much a market-state approach. It is very similar to the market-state’s predilection for coalitions of the willing, and the use of local proxies (Iraq and Afghanistan) to solve international problems. In addition, bin Laden’s organisational innovations will be his lasting legacy and, in all likelihood, copied by even more deadly successor groups.

As noted in a 1999 RAND study on the concept of ‘netwar’, information-age terrorist organisations are fundamentally different to their nation-state forebears. Typically, networking (usually via the internet) loosely inter-connected and semi-independent cells with no single commanding hierarchy very much describes today’s al Qaeda. These cells are unified by the al Qaeda vision that often fuses with a local and more nationalistic agenda. As

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74 Former CIA analyst, Michael Scheuer, claimed in an interview on CBS in November 2004 that bin Laden had sought and received a fatwa from a Saudi cleric to use nuclear weapons against the United States. ‘Interview: Michael Scheuer’, 60 Minutes (CBS) Website, http://www.cbsnews.com/stories/2004/11/12/60minutes/main55407.shtml , 14 November 2009. [Accessed 21 October 2009] Browne, Globalization and WMD Proliferation, p. 80, suggests that al Qaeda’s sensitivity to its constituency: radical Islamic groups and the umma in general, is potentially constrained from the use of WMD. Harris in The Search for Al Qaeda, pp. 132-3 states that al Qaeda realises that its next attack must out-do September 11 and thus the acquisition of WMDs, ideally nuclear weapons, is a priority. He suggests Pakistan represents the best prospect through infiltration of the Pakistani military.

75 Bobbitt, Terror and Consent, p. 50.

76 Bobbitt, Terror and Consent, p. 93. The so-called (by staff officers at HQ MNF-I) ‘spectacular attacks’ were those signature al Qaeda exercises in mass civilian casualties designed specifically for media consumption are a graphic illustration of Bobbitt’s point.

77 John Arquilla, D. Ronfeldt, and M. Zanini, ‘Networks, Netwar, and Information-Age Terrorism’, pp. 41, 46.
Bobbitt notes, a major unifying element among groups to which al Qaeda out sources is the shared hatred of the pre-eminent global power, the United States.\(^78\) Al Qaeda seeks to synchronise these local operations to achieve its strategic aim of toppling, like dominos, the apostate and corrupt Islamic governments across the Muslim world as a prelude to the establishment of the Caliphate.

Likewise, Bobbitt argues that bin Laden’s rationale for attacking civilians is also a market-state approach, as it identifies the responsibilities of citizens as individuals rather than as a body politic. Individuals in market-states of consent, elect governments who then act in their name and hence, according to bin Laden’s logic, they are complicit in various acts against the Islamic world, including the invasions of Afghanistan and Iraq.\(^79\)

**Al Qaeda Vulnerabilities and Strengths**

It is imperative then that the US not solidify that hatred among nation-state terrorists but rather address their grievances generously.\(^80\)

Among al Qaeda’s major strengths are its resilience and its ability to evolve in response to enemy successes, as al Qaeda Prime demonstrated in the aftermath of the September 11 attacks. Bin Laden and his key lieutenants fled to Pakistan evading American and allied Special Forces and the Pakistani army. Since then it has had the majority of its funds frozen and many of its funding streams stifled. Al Qaeda’s core leadership has had to concentrate on its own survival at the expense of waging offensive operations, and has attempted to maintain its relevance by outsourcing its operations to regional affiliates. As noted above, this has extended its reach and enabled it to claim some operational and tactical successes. However, the core leadership’s inability to execute a strategic level event like September 11 is, according to a number of analysts including George Friedman and Martin Hart, rendering it increasingly irrelevant. They qualify this by stating that al Qaeda, the movement, is an altogether different proposition.\(^81\)

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\(^78\) Bobbitt, *Terror and Consent*, p. 83.

\(^79\) Bobbitt, *Terror and Consent*, p. 81.

\(^80\) Bobbitt, *Terror and Consent*, p. 83.

A major al Qaeda’s strength is its members’ core belief that their success is pre-ordained, albeit after a long struggle. The only pre-requisite for ultimate success is a commitment to militant jihad. Thus, al Qaeda is patient, resilient and committed to a long game — a draw-out war of attrition.\textsuperscript{82}

Hart posits that al Qaeda’s most glaring weakness has been its inability to harmonize its policy outcome — the creation of a global caliphate — with its strategy, operations and tactics. He notes that strategy is the bridge between policy goals and military means. Al Qaeda’s strategy, the prosecution of a multistage insurgency against the West, has failed to provide this bridge. It has been unable to tie its relatively limited tactical means, modest propaganda capability with its messianic goals.\textsuperscript{83}

Bobbitt does not see al Qaeda’s evolving strategy and its desired policy outcomes in quite the same light. He acknowledges that the American response to September 11, that is the rapid toppling of the Taliban, confounded their initial strategy. They had in fact anticipated a United States withdrawal from the Middle East and abandonment of its client states (Saudi Arabia, Kuwait and the other pro-American states in the region). In response, al Qaeda modified its original strategy to accommodate these events. Bobbitt suggests that bin Laden and his key lieutenants assessed that more September 11-like attacks would be too difficult to execute and anything less would sacrifice the momentum gained. Therefore, they switched to outsourcing incursions across the Muslim world with priority on sustaining the ‘bleeding attacks’ in Iraq and Afghanistan.\textsuperscript{84}

I would argue that al Qaeda’s demonstrated adaptability and its ability to self-assess and adjust as the expansion of its operations noted above, as well as the direction to Zarqawi to re-align his bloodthirsty campaign in Iraq to al Qaeda’s long-term strategic goals, is indicative of greater flexibility than Hart acknowledges.\textsuperscript{85} On one hand, it appears that the

\textsuperscript{82} Hart, ‘Al Qaeda: Refining a Failing Strategy’, p. 118.
\textsuperscript{83} Hart, ‘Al Qaeda: Refining a Failing Strategy’, p. 118.
\textsuperscript{84} Bobbitt, \textit{Terror and Consent}, pp. 74-6.
\textsuperscript{85} Riedel, \textit{The Search for Al Qaeda}, p. 103. In a long letter sent to Zarqawi in July 2005, Zawahiri asked that he ease back on the indiscriminate violence, in particular, the beheadings and the ferocity of the attacks against Shia Iraqis.
current strategy can continue to evolve and thus there is potential for the organisation to achieve greater harmonisation with its desired policy outcome. On the other, al Qaeda does seem unwilling to abandon its core belief in the radicalising effect of violent jihad.

Hart posits that al Qaeda relies too heavily on violence, in particular, the spectacular events often against symbolic targets causing mass casualties in order to radicalise the *ummah*. This is, according to Hart, its core weakness. This ‘reviving dogma’ that was to put jihad into the hearts of Muslims has not succeeded to date, at least not on the scale hoped for by al Qaeda. Browne suggests that this notion is a ‘tough sell’ in the larger Muslim community. Even groups that were expected to support al Qaeda’s violence have reacted negatively. He notes that Hezbollah and Hamas, labelled as terrorist organisations by the United States, denounced al Qaeda in the aftermath of the September 11 attacks. While I concur with Hart’s proposition that the radicalisation of the *ummah* has failed to eventuate in a general sense, sufficient Muslims are heeding the call, making al Qaeda a major threat to security throughout the Muslim world and much of the remaining world, including the West. However, this is unlikely to become systemic in scope.

According to Hart, the over-reliance on violence also reduces al Qaeda’s strategic flexibility, while the anti-American aspect of its message has considerable sympathy in the Muslim world. Its fundamentalist message is a major turn off for most Muslims and leads to an inability to generate broader appeal. Coupled with this is al Qaeda’s inability to consolidate success, as was the case in Iraq. He suggests that al Qaeda’s core leadership has a general lack of understanding of the local conditions in which its affiliates operate. The author saw evidence of this during his time in Iraq. The coalition waged a very effective information operation against AQI, highlighting the indiscriminate nature of its violence and its seeming indifference to the Sunni casualties that often resulted. Likewise, it was extensively reported at HQ MNF-I that AQI operatives, prior to the Sunni Awakenings, were attempting to wrest control of Sunni tribes from the sheiks in al Anbar Province. It was a fundamental

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87 Hart, ‘Al Qaeda: refining a failing strategy’, p. 121.
miscalculation that, when combined with the sense created by the surge that the Americans were in Iraq for the long haul, led to a major reversal in AQI’s fortune.\textsuperscript{88}

Bobbitt suggests that al Qaeda’s networked structures have inherent vulnerabilities, including the need for its operatives to travel tortuous routes to its operations and its communications systems that make it vulnerable to interdiction. The electronic communications that are so important for its command and control, training and recruiting make it vulnerable to intelligence collection and surveillance. Its reliance on the internet means that it is open to information warfare, including deception. Again, in Iraq, the author saw MNF-I wage very successful cyber operations against AQI. Nevertheless, the advantages of this mode of operation are substantial, including an increased reach, greater ability to gather intelligence, raise finance and disperse its message. Despite its setbacks and the pressure to which the core leadership is subject, al Qaeda the movement continues to grow throughout the Middle East, South Asia, Southeast Asia and Western Europe.\textsuperscript{89} As a series of convictions resulting from foiled terrorist plots since September 11 demonstrates, Australia too, has its own home grown jihadist problem.

Another al Qaeda strength is its growing pool of fighters, who hail from a wide range of countries and who now have significant operational experience from the wars and conflicts that include Iraq, Afghanistan, Pakistan, Yemen and Somalia. The current situation is arguably very similar to that in the aftermath of the defeat of the Soviet Union by Islamic fighters in Afghanistan in the 1980s. It is conceivable that these individuals will form the basis of new jihadist movements or revitalise extant ones in their home countries.

Al Qaeda has a significant weakness in its propensity to underestimate western resolve, according to Hart. It had believed that significant American casualties in Afghanistan and Iraq would see the American public mount irresistible pressure on the government to withdraw their troops from both those conflicts. Prominent al Qaeda thinker Abu Bakr Naji wrote in *The Management of Savagery*:


\textsuperscript{89} Bobbitt, *Terror and Consent*, pp. 54-5.
The reality, I would argue, is somewhat different. While it is apparent that evolving western market-states are casualty averse, the American-led response to September 11, the ongoing war in Afghanistan and the recently concluded American commitment to Iraq, demonstrates the willingness of states of consent to commit to long-term military campaigns and accept significant casualties. In the case of Afghanistan the strategic consequences of failure for the United States and its allies, perceived or otherwise, are significant, particularly given the ‘Talibanisation’ of Pakistan’s regions near the Afghanistan border and the increased fragility of that state. Thus, political leaders are prepared to expend considerable domestic political capital to continue the prosecute the war against terror and this does not seem to be understood by al Qaeda.

In sum al Qaeda, the organisation, is weak in relation to United States and its allies. Consequently, it has resorted to a long game, premised on a strategy underpinned by an operational approach of radicalising violence that combines insurgent warfare and terrorism to overthrow corrupt apostate regimes throughout the Muslim world. This is in concert with a global terror campaign designed to entangle America in a series of bleeding wars that will eventually force its withdrawal — both its military forces in the Middle East and material support for its Muslim client states. America and its allies have done much to prevent this outcome, but more is required. A coherent preclusive strategy is required.

**Towards a Preclusive Strategy**

Bobbitt argues that the West in general and the United States in particular, have failed to bring law and strategy into alignment. ‘Strategy’ concerns the role of the state in defending itself from other states while ‘law’ is concerned with the state’s monopolising legitimate violence within its territory. In the last century, strategy and law were separated and according to Bobbitt, this approach was generally successful but in the new era it is a liability. International terrorism does not spring from the politics of a hostile state and, in

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addition, has a strategic dimension. Moreover, we have tended to associate terrorism with institutions that command power within the state such as the police and the law courts.

In essence, strategies are required to reinforce legal institutions that enforce law among states, such as the International Court of Justice. Likewise, states of consent must continue to act lawfully in the war against terror if they are to win the battle for legitimacy. America’s lawless behaviour during the Bush Administration, vis-à-vis the treatment of the detainees at Guantánamo Bay and Abu Ghraib, has done little to win Muslim hearts and minds and, in all likelihood, helped swell the ranks of jihadists. Despite the efforts of President Obama to present America in a softer, less unilateralist light, its stocks remain stubbornly low in most of the Muslim world. A properly articulated grand strategy for the war against al Qaeda that includes maintenance of legitimacy and premised on preclusion is clearly required.

Yet we do not yet have the global institutions or doctrines that we had during the Long War where alliances such as NATO and the concept of extended nuclear deterrence played a major role in the containment of the Soviet Union’s ambitions and ultimately its defeat.

[a] primarily military strategy will not eradicate this foe. Instead, the botched occupations of two Muslim countries, Iraq and Afghanistan, have unwittingly played into the hands of the jihadists — bolstering their propaganda that the United States wants to kill Muslims and control their world to exploit its resources.

The above passage was written sometime in 2007-8, probably before the effects of the American troop increases (the Surge) in Iraq and General David Petraeus’s counter-insurgency strategy were fully comprehended. Iraq’s security situation remains fragile as demonstrated by the mass casualty attacks that have occurred since 2009 and the American troop withdrawals from the neighbourhoods of Baghdad and other major Iraqi cities. There remains genuine cause for optimism that the indigenous security services will hold their own and prevent the return to the internecine conflict that tore the country apart in 2006-7.

91 Bobbitt, Terror and Consent, pp. 15-18. Bobbitt argues that because law is detached from strategy, military successes are undermined by a loss of legitimacy—Abu Ghraib, Basra (British treatment of Iraqi prisoners) and Guantánamo being most obvious examples, while current (nation-state) institutions such as the UN undermine the West’s strategic efforts.


93 Riedel, The Search for Al Qaeda, p. 135.
Assuming the Obama administration continues with its current cautious approach, Iraq’s political leadership must now use the considerable security gains of the last few years to foster consensus between Sunni, Shia and Kurdish factions and rule equitably for all Iraqis. It must demonstrate continued progress in rebuilding of the economy and provision of basic services to Iraqi citizens. The stakes are high, and the true test will come at the end of 2011 when the American troop drawdown to 5000 personnel will be complete. Ultimately, the evolution of an Iraqi state of consent would be a massive strategic blow to al Qaeda.

Iraq is one line of operation in the battle against al Qaeda, as is the war against the Taliban in Afghanistan and Pakistan. The latter two are at crisis point; Pakistan has been wracked by terrorist attacks in the last few years and continues to fight against the Taliban in its border provinces, while in Afghanistan it is clear that any political solution will now feature the Taliban in a major role. Moreover, the jihadist flame continues to burn brightly throughout much of the Muslim world. Each conflict is another line of operation. Obviously, this does not imply the need for the United States and its allies to use military force to foment regime change. However, it does imply action of some description to neutralise or at least mitigate jihadist efforts.

The Afghan counterinsurgency campaign also suffers from a weakness in its strategic rationale. What makes Afghanistan critical to the US is al Qaeda, the core group of jihadists that demonstrated the ability to launch transcontinental attacks against the West from Afghanistan. The argument has been that without U.S. troops in the country and a pro-American government in Kabul, al Qaeda might return, rebuild and strike again. That makes Afghanistan a strategic interest for the United States.

But while some al Qaeda members remain to issue threatening messages from the region, the group’s ability to meet covertly, recruit talent, funnel money and execute operations from the region has been hampered considerably. The overall threat value of al Qaeda, in our view, has declined. If this is a war that pivots on intelligence, the mission to block al Qaeda eventually may once again be left to the covert capabilities of U.S. intelligence and Special Operations Command, whether in Afghanistan, Pakistan or elsewhere.94

Despite the lack of a coherent grand strategy, America and the West have successfully precluded further transnational attacks of the scale of September 11 and has prevented al Qaeda from acquiring WMD. Bobbitt argues that the war in Afghanistan has resulted in al Qaeda not being able to run training camps, import weapons, facilitate travel of its operatives

94 "Stratfor Brief 100/09", Stratfor Website, C:\Documents and Settings\Michael\Desktop\PhD\Thesis\Case Study Chapter\al Qaeda\FW STRATFOR, July 17 China, Afghan, AQ.htm. [Accessed 25 August 2009]
or conduct financial transactions under the veneer of state sovereignty.\textsuperscript{95} Although the threat potential of the al Qaeda core remains and the growth of al Qaeda the movement continue, the overall situation constitutes a market-state victory. Nevertheless, this is difficult message for western political leaders to convey to their citizens.

This is not victory as most people conceptualise. While bin Laden’s recent death is a major setback, al Qaeda has capable senior commanders at large. Likewise, al Qaeda the movement has suffered setbacks in some theatres but continues to expand in others. Moreover, in its most important theatre — Afghanistan/Pakistan — its key allies, the Taliban, have recently resurfaced. American popular support for the war continues to wane dipping to forty percent at the beginning of 2011.\textsuperscript{96} The recognition of the Pakistan/Afghanistan nexus and its importance in containing al Qaeda by the Obama Administration is a major step forward, as is its efforts to bolster consent in Pakistan and likewise its approval of an Afghanistan Surge. The aim here is to redress the Taliban resurgence and implement American commander, General Petraeus’s COIN strategy. The clear articulation of an exit strategy will make convincing Afghans of the American-led coalition’s long-term commitment to their security exceedingly difficult. It is clear that a substantial American troop and intelligence presence in, or within ready reach of, Afghanistan and Pakistan will be required for the foreseeable future.

On the other hand mitigating the growth of al Qaeda the movement has proven much more difficult, and as noted previously, the movement has infected many Islamic and western states. While there have been successes, particularly in Indonesia, Saudi Arabia and thus far Iraq, the threat potential remains. The West is not yet adequately addressing the circumstances within those states that include Yemen, Algeria, Somalia and the Philippines, which are permissive to the continued presence of al Qaeda affiliates and franchises. It is unreasonable to expect America and Britain to lead new interventions into Somalia, Algeria or Yemen given the vast challenges they face in Afghanistan, and to lesser degree that which

\textsuperscript{95} Bobbitt, \textit{Terror and Consent}, pp. 133, 206-7.

America faces in Iraq. Nor is there a concerted effort to redress the highly inflammatory Palestinian situation, a grievance that significantly helps fuel militant jihad.  

A grand strategy would help identify priorities, and develop synchronised alternatives to large-scale military interventions. As discussed previously, there are a number of clearly defined individual lines of operations against al Qaeda which have produced promising results, such as the freezing the financial assets of charities that are fronts for al Qaeda, but they are not necessarily synchronised, prioritised or sufficiently widespread in their application.

While President Obama’s reaching out to the Islamic world is symbolically highly significant, a worldwide and integrated information campaign to address militant jihad needs to be properly established. Currently, economic assistance to many, if not most of the problem states is insufficient or not adequately targeted to best effect. Likewise, multi-agency cooperation between all states both, developed and developing, while significantly better than it was before September 11, could be further improved. This includes international cooperation between intelligence, police, customs and other agencies; monitoring of movement of telecommunications traffic, financial resources and suspect people; and greater efforts to control the transfer of WMDs, missile and dual use technology. In addition, many states have increased security at their entry points such as international airports, seaports and international borders; reorganised their bureaucracies to better protect the homeland; and have significantly increased their funding to fight terrorism. Laws have been enacted in many western states, including Australia, to make detection and prosecution of terrorists easier.

Australia has undertaken most, if not all, of the above and has attempted to play a lead role within the Southeast Asian and Southwest Pacific regions to cajole other states to take similar action. In terms of future military operations, the Iraq and Afghanistan interventions preclude further major interventions in the immediate future. Nonetheless, there is potential for smaller more nuanced operations based on relatively small numbers of personnel, comprising military

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98 Bobbitt, *Terror and Consent*, pp. 13-15
trainers, Special Forces and intelligence agencies. The operation the United States is conducting in concert with the Philippines government against Abu Sayyaf is instructive.

**Winning the War against Market-State Terrorism**

Firstly, the concept of victory in the market-state era must be redefined. The nation-state era's conceptualisation of victory: the consequence of a series of decisive battles is irrelevant when a state is fighting unconventional, asymmetric conflicts. Bobbitt’s suggested recalibration is required and quite simple — states of consent are victorious when they do not lose.\(^{99}\) The preclusion (or prevention) of a successful Iranian nuclear weapons program, the dismantling of North Korea's nuclear weapons program, and a sustained period without a strategic level terrorist attack, constitute victory in the market-state era. This is a difficult concept to sell to the citizens of countries such as the United States and Britain inculcated with notions of conventional armies winning decisive battles. Likewise, the concepts of resilience and redundancy in relation to critical infrastructure and stockpiling vaccines and even laws to mitigate the effects of attacks must be communicated to the people as critical aspects of a state's security — that they are as important as a modern, well-equipped defence force.\(^{100}\)

The ultimate victory aim at the strategic level is the steady expansion of the zones of consent or as Barnett so eloquently describes it, ‘draining the swamp’, by which he means reduce the number of states in ‘the gap’ — that group of failed or failing states from which most of the world’s major security crises arise.\(^{101}\) This does not mean recasting the dictatorships of the world in the image of the United States via the application of military force as conceived by the Neo-conservatives during the recent Bush era. Rather it is a patient long game, making use of ‘soft power’. Coupled with this, is continuing to bolster the efforts of Muslim states to evolve into pluralistic democratic societies. Indonesia, the largest Muslim state and the world’s third largest democracy, as well as Turkey, are obvious targets for support. Iraq too, with its fragile security and tortuous progress to something akin to consensual governance, must continue to receive support. Continued progress in these Muslim states and the potential for further progress with the states affected by the so-called ‘Arab Spring’ diminishes jihadist’s credibility and sets back their cause.


\(^{100}\) Bobbitt, *Terror and Consent*, p. XX.

\(^{101}\) Mark Safranski, ‘Ten Question with Thomas P.M. Barnett’.
A critical aspect of the war against al Qaeda and its affiliates is legitimacy. It is patently obvious that the recent dilemma in relation to Guantanamo Bay detainees diminished the legitimacy of America’s cause. Al Qaeda members are not ordinary soldiers. They exploit the fact that they have no uniform, false IDs and a chain of command that does not take orders from conventional state to cause terror. They can readily hide within an affected state’s population, wage insurgent warfare, and/or commit terrorist acts. However, they are not ordinary criminals either, nor are they spies for a foreign government. There is often great difficulty in relation to their repatriation for trial in their home countries given that they are participants in a global war and their criminal acts may have been in a state other than their homeland, and possibly affecting a third state. Therefore, market-states need to acquire the appropriate laws and means of administering them to gain the legitimacy in their efforts to prosecute market-state terrorists.  

It is important to understand that there is little opportunity for America and its allies to persuade members of the al Qaeda core leadership and the majority of its hard-core followers to defect, or at least discontinue their jihad against the West. Therefore, kinetic operations designed to kill or capture them remain important to any new strategy. Coupled with this is the continued targeting of al Qaeda safe havens in order to disrupt its logistic, command and control and training activities.

Al Qaeda’s centre of gravity is its ability to sell its message to the Muslim world, and the internet is probably its number one critical vulnerability. Therefore, aggressive efforts to disrupt its use of the internet for propagandising, training, money raising and transfer, as well as command and control, have to continue. On the other hand, America and the West need to publicise their successes against al Qaeda, but not just on the battlefield. Hart cautions against exaggeration and disinformation as information operations as they might further undermine American credibility. He warns there are potential unintended consequences of actually boosting al Qaeda’s credibility and exaggerating its potency. He suggests that, ‘improved

102 Bobbitt, Terror and Consent, pp. 265-9. Domestic criminal courts are inappropriate due the need to disclose all related evidence to the case and the overwhelming strain they would place on an already struggling system. In the case of international terrorists much of the evidence would be highly sensitive information that could expose intelligence services’ sources, agents, techniques etc with potentially devastating consequences. On the other hand, military tribunals lack judicial credibility. Bobbitt suggests the constitution of, in effect, terrorist courts that are designed to protect sensitive information but are subject to appropriate independent oversight.
economic and educational opportunities’ are likely to resonate better than ‘democracy’ and ‘political pluralism’, which may seem like American cultural imports. By way of an example, the phrase ‘moderate Muslim’ can be understood as ‘half-hearted Muslim’, indicating the need for a more sophisticated term. He also highlights the need for choosing strategic communications words and themes carefully so that they resonate with the Muslim worldview. Likewise, letting former militants and Muslims hurt by al Qaeda tell their stories helps humanise the conflict and demonstrates the true nature of the terrorist organisation. Peaceful provincial democratic elections in Iraq and progress in the wake of the Afghanistan surge would send powerful messages to the Muslim world. As Hart suggests: ‘[we should] publicize Western successes against al Qaeda to strengthen impressions of U.S. strength and shrinking al Qaeda capabilities and popularity — thus discouraging fence sitters from joining an organisation headed for defeat’.103

**Case Study Two Conclusion**

The American-led war against al Qaeda cannot be described as a coherent market-state strategy. It has evolved over time, acquiring more and more of a market-state flavour as lessons have been learnt. Al Qaeda is a market-state terrorist organisation franchised, networked, empowered by information age tools, and focused on transnational goals. While the United States and its allies have made many mistakes in attempting to confront and mitigate the threat posed by al Qaeda, they have achieved recent and considerable success by adopting market-state tactics.

During the War against Terror, the United States has redefined the concept of victory; and it has to some degree embraced concepts of vulnerability, resilience and preclusion. It now understands that the majority of its future wars will be insurgencies, and that intelligence gathering is the key to success. It knows that it must attempt to galvanise global, in particular moderate Muslim opinion against the al Qaeda world-view. During the Iraq Surge of 2007 to 2008, it successfully portrayed al Qaeda’s indifference to the killing and suffering it inflicted on its fellow Muslims. The ‘Battle for Basrah’, analysed below, demonstrates that the American military is well on the way to evolving into a market-state institution.

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103 Hart, p. 123.
Case Study Three:
The Battle for Basrah (March/April 2008) - Market-State Operational Art?

The Armies of a market-state, like the Coalition forces in Iraq (under Petraeus), do not claim the right to determine the precise outcome of a political process but rather try to provide that process with sufficient security so that its citizens can develop within their own polity in their own way.104

The so-called ‘surge’ was the last role of dice by the Bush Administration to salvage the deteriorating situation in Iraq. Its aim was to provide sufficient combat power to the Coalition forces to implement a new counterinsurgency strategy whose focus (centre of gravity) was the provision of security to the people of Iraq. By quelling the internecine conflict that threatened to become an all out civil war, and degrading the potency of the broad array of extremist groups in the country it was hoped that the nascent Iraqi government would have sufficient time to reach a political accommodation between Sunni, Shia and Kurdish political factions. Moreover, spread its influence and solidify its grip on the fractious Iraqi state. It was also hoped that the relative security would act as a catalyst to kick-start the economy, foster a growth in employment and improve basic services such as the provision of power and water. Likewise, prodigious effort went into growing and training the Iraqi security forces (ISF) to become capable of containing and ultimately, defeating the insurgency. General David Petraeus, one of the authors of the United States Army and Marine Corps 2006 Counterinsurgency Field Manual FM 3-24, was selected to put his theories into practice and assumed command of Multi-national Forces, Iraq (MNF-I) in January 2007.

The following case study is based on the author’s observations during his time as the Defence Attaché to the Australian Embassy in Iraq, from October 2007 to April 2008. In the lead up to this period, the so-called ‘Sunni Awakenings’ had resulted in Sunni tribal sheiks throwing in their lot with the Americans against AQI. It was during this time the ‘surge’ reached its zenith and the formal rapprochement with Shiite radical group, Jaysh al Mahdi (JAM), was severely tested. AQI was very much on the back foot. Its footprint in the major Iraqi urban centres was reduced dramatically and by April 2008, Mosul was the last city in which the organisation had any degree of freedom to manoeuvre. The flow of foreign fighters — its lifeblood — transiting through Syria was reduced to a trickle. The organisation’s ability to transmit its message was degraded significantly and while it was still capable of conducting

104 Bobbitt, Terror and Consent, p. 195.
so-called spectacular attacks throughout much of Iraq, the frequency of these had attenuated dramatically during the period.

In February 2008 the leader of JAM, Muqtada al Sadr renewed the ceasefire that had been in existence for the preceding six months. JAM was the major Shia militia group with a strong presence in the southern and central provinces, including Baghdad. It had major strongholds in the southern port city of Basrah and the Sadr City region of Baghdad. Sustaining the truce was difficult for JAM’s leadership due to the Coalition’s concerted campaign against the leadership of the so-called JAM ‘Special Groups’. Of JAM’s Special Forces, many were in fact criminal gangs using the JAM moniker as cover for their nefarious activities, or under Iran’s direct control. Clouding the picture further were reports indicating that some Special Groups were given leeway by al Sadr to attack the Coalition and the ISF. This arrangement gave him ‘plausible deniability’ while he manoeuvred with the Americans and the Iraqi government for more say in the political process.¹⁰⁵

In March 2008, Prime Minister Nuri al Maliki at the behest of General Petraeus undertook a fact-finding tour of Basrah in order to assess the extent that JAM, including those elements under Iran’s sway, and various criminal elements controlled this strategically important city.¹⁰⁶ So perturbed was al Maliki by what he saw, he mobilised four Iraqi Army brigades, against the advice of Petraeus and without consulting the senior leadership of the Iraqi Army. On 26 March 2008, he personally led Operation Charge of the Knights, whose aim was to regain control of Basrah. The operation’s timing could not have been worse for the Coalition, as Crocker and Petraeus were fully engaged in preparations for their report to Congress in April 2008. In addition, the Maliki initiative had the impact of ameliorating the fractious relationship that the mainstream JAM had with many of the Special Groups.

¹⁰⁵ The so-called special groups range from criminal gangs using the JAM name as cover for the nefarious activities to insurgent operatives trained by and directly answerable to Iran’s Revolutionary Guard Corps Qod forces. The author saw much sensitive reporting that established this relationship. Iran provided materiel, finance, training and military advisers to many of the Special Groups. This effort represents Iran’s attempts to establish a Hezbollah-like organisation within Iraq. See Kimberley Kagan, ‘Executive Summary, Iran’s Proxy War Against The United States’, Institute For the Study of War Website, http://www.understandingwar.org/report/iran-proxy-war-against-united-states-and-iraq-government.pdf, 29 August 2007. [Accessed 27 October 2010]

¹⁰⁶ Basra, a primarily Shi’a city of more than one million people, is the capital of the oil rich al Basra province. Strategically crucial, it is Iraq’s major port and a significant oil refining centre. The nearby port of Umm Qasr provides Iraq’s only deep water access. It had become evident that the British, along with the local ISF command had insufficient combat power to control the city and maintain laws and order.
Mainstream JAM could not stand by as their Special Group brothers were dying in the conflict.

Also exacerbating the situation was the fact that the British, who were responsible for security in al Basrah province, were sidelined. In December 2007, their troops were relocated into the international airport outside of the city, and postured for a complete withdrawal from Iraq. They had effectively ceded control of the city to JAM. A report in The Times indicated that British intelligence had negotiated a rapprochement with JAM. British troops could not enter the city without the express permission of the then Defence Secretary, Des Browne. The delay in the British response to the military action meant that significant numbers of American troops had to be redeployed to assist the ISF control the violence and a consequent loss of credibility.107

A by-product of the operation in Basrah was activation of Sadr City JAM Special Groups, that resulted in an unprecedented number of mortar and rocket attacks against Baghdad’s International Zone (IZ), which contained the Iraqi parliament and most government ministries as well as embassies and key Coalition military installations. JAM’s aim was to pressure directly the Iraqi government and the Coalition leadership into ceasing operations in Basrah. The sustained indirect fire over a period of more than three weeks had a deleterious impact on the government of Iraq’s ability to govern and ratcheted up political pressure on al Maliki to negotiate with al Sadr.

A lack of planning and understanding of the extent of the disposition of the forces arrayed against him, ensured Maliki’s operation quickly faltered. Exacerbating the situation was the fact that a large number of the troops selected by Maliki were from newly raised brigades with little or no combat experience.108 A humiliating and politically damaging rout, as well as a subsequent humanitarian disaster would have been the inevitable outcome but for Coalition intervention.

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108 The 52 Brigade had finished basic training just one month prior to the battle. There were widespread reports of Iraqi police and soldiers deserting, handing over weapons to the militias and even changing sides. Bill Roggio, ‘A look at Operation Charge of the Knights’, The Long War Journal Website, http://www.longwarjournal.org/archives/2008/04/a_look_at_operation_l.php, 4 April 2008. [Accessed 17 July 2009]
In late March, during the daily Battle Updates and Assessments (BUAs), as well as in a meeting at which I was present, General Petraeus informed the Australian Head of Mission to Iraq, that MNF-I would not let the Iraqis fail in Basrah. He also indicated that the Iraqi operation presented an excellent opportunity to gain political capital for Maliki, regain control of the city and reduce Iranian influence. He made it clear that MNF-I operations would continue unabated against AQI in Mosul, as he was concerned that the conflict in Basrah would be seen by AQI as an opportunity to regain the offensive against a distracted Coalition.

The Coalition plan that MNF-I crafted and executed on the fly, I posit, will come to be seen as a classic market-state information operation. Military Transition Teams (MiTTs), which were essentially military adviser teams, were rapidly deployed by the Americans, and eventually the British, to stiffen the resolve of the Iraqi forces in contact with well-entrenched JAM militias in Basrah. Battlefield enablers, that is, Coalition artillery, warplanes, helicopters, C2 systems, and logistics units were re-assigned to support the Iraqi operation. An American two-star general, with supporting headquarters staff, provided the Iraqis with a planning capability. In addition and most importantly, a humanitarian assistance (HA) operation commenced almost immediately. Operation Charge of the Knights had caused the city’s markets, which were the main source of food for most of the population, to close indefinitely; and there were fears that the city’s water supply would rapidly degrade.

Petraeus ensured that the Iraqi Army was the ‘face’ of the HA operation and appeared to have the lead in the kinetic parts of the campaign. The MiTT teams ensured that achievable objectives were identified by Iraqi commanders, and proper operational planning occurred. Systematic cordon and search missions gradually enabled the ISF and Coalition forces to gain control of previously JAM occupied areas of Basrah. Meanwhile, Petraeus and Crocker worked overtime to cajole key federal political figures to rally around Maliki and make public statements of support — something they were unwilling to do in the early stages of the operation.

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109 At this stage of the conflict, Whitehall had British forces take a low risk approach in preparation for a major draw down. They were in almost in a ‘hands off’ mode. The Basra conflict forced Whitehall to reverse this situation and allow British forces to fully participate alongside the Americans to restore order. It also had the effect of indefinitely postponing the proposed British draw down.
Carefully crafted media releases reinforced the message that Operation Charge of the Knights was a bold Iraqi initiative whose aims were to free the citizens of Basrah from the grip of JAM Special Groups and criminal gangs and reimpose the rule of law. The releases were careful to delineate between the ‘criminal JAM Special Groups’ and al Sadr’s mainstream JAM membership. Petraeus maintained throughout the campaign that al Sadr was an important player in Iraq’s political future and the operation was not about reducing his political influence.

As Petraeus predicted, Operation Charge of the Knights did not fail, and throughout April and May, the Iraqi government strengthened its grip on Basrah. In addition, they commenced much-needed re-construction to bolster the gains made, recruited significant numbers of Basrah men for the ISF, and raised ‘neighbourhood watch’ groups; based on the successful Sons of Iraq model used in Sunni dominated areas. In addition, Maliki and his government improved their stocks with the people of Iraq and the ISF, despite their shaky start, improved their credibility.\(^{110}\)

**A Market-State Military Operation**

The ‘Battle for Basrah’ is, I posit, an excellent example of the market-state’s agile, nuanced and subtle mode of warfare. A potential catastrophe became a springboard for a series of operations that resulted in the solidification of the indigenous government’s grip on power. It reduced a major rival’s sway in a strategically important city and shaped circumstances to pave the way for a major offensive against JAM in its Baghdad stronghold of Sadr City. Petraeus saw opportunity in a crisis and moved with decisiveness and agility to seize it. His primary aim of enhancing the security of the people of Basrah was in perfect alignment with his strategic aim of providing a window of relative security for the Iraqi people so that their political leaders could establish consensual governance.

The scheme of manoeuvre for the campaign included political, humanitarian and kinetic lines of operation. Moreover, it was a true information operation with its key objective being the

enhancement of al Maliki’s political standing by improving the security of the people of Basra. Subordinate objectives were the reduction of both Muqtada al Sadr and Iran’s influence in the southern capital as well as the re-establishment of law and order. The Coalition’s humanitarian and kinetic operations were launched simultaneously with the Iraqi Army as the ‘face’ of the former and conducting the actual hand-to-hand fighting in the latter. The Iraqi Army was ‘enabled’ by Coalition planning and key battlefield capabilities but was not reliant its combat units. The critical piece was the presence of MiTTs, initially American and then later British, embedded in Iraqi units and formations. In addition to providing Iraqi commanders with access to force multipliers such as ISTAR, logistics, precision weapons delivered by aircraft and artillery, MiTTs assisted with tactical planning.

The local and international media were artfully manipulated to portray Maliki as a decisive leader who was willing to confront JAM, in particular its so-called ‘Iranian backed Special Group criminal’ elements and criminal gangs, in order to re-establish the rule of law in Basra. Much was made of the Iraqi Army’s ability to mobilise over a division’s worth of troops and then launch a major offensive within a two to three day period. Coalition leaders suggested that it demonstrated the Iraqi Army’s growing professionalism. The initial poor performance of many ISF units, particularly the police, tended to be glossed-over or downplayed. The overall message was simple and powerful, the Iraqi government and by association the ISF, cared about the local people’s wellbeing. Likewise, as the ISF, under Coalition guidance, became more systematic in its operational approach, and thus increasingly successful in clearing militia elements from former strongholds within the city. MNF-I’s media messaging emphasised that this was an ISF-led mission with only ‘minimal’ Coalition input and that the successes achieved were indication of increasing Iraqi professionalism. Six months later MNF-I’s information operation appeared to have worked so well that Nuri al-Maliki himself was seemingly convinced that Knights Charge was an Iraqi only operation! No mention was made of the Coalition’s role in subsequent media interviews.

It was described thus in the *Washington Times*:

Knights Charge was a carefully integrated political-military operation. Iraqi Prime Minister Nouri al-Maliki made it clear Knights Charge was planned and executed by the Iraqis themselves. Mr al-Maliki and his government know they are waging a political war, and Knights Charge was a military operation with major political
objectives. One was to further isolate Muqtada al-Sadr and his Shia thugs. Another key political objective was to solidify Mr. al-Maliki’s nationalist credentials.\(^\text{111}\)

**Case Study Three Conclusion**

Petraeus demonstrated his understanding that his key aim was the security of Iraqi people, which helped enhance the Iraqi government and its security forces’ credibility with the people. The information campaign played to multiple audiences, including; American elite and public opinion, which was critical given the Congressional hearing that Crocker and Petraeus were to attend in April 2008; Iraqi public and elite opinion; and the broader Muslim world. In addition, Petraeus saw an opportunity to reduce JAM and Iranian influence in Basrah and roll back JAM’s control of Sadr city. He understood too, that al Qaeda in Iraq would seek to exploit the opportunity created and he took steps to prevent this eventuality.

The Iraq war has been a harsh learning experience for the United States military. It discovered that its myopic focus on conventional operations had left it ill prepared for the complex post-invasion insurgency in which it found itself. By the time General Petraeus confronted the al-Maliki induced conflict against JAM, the American military was well on the pathway to becoming an agile information age organisation. In BasraNah, it demonstrated its adeptness in counter insurgency operations and how the military forces of market-states must perform in the complex conflicts of the new era.

**Case Study Four:**
**The Evolution of Warfare - Swarming and the ADF**

Perhaps the time has come for Australia to transform its current force structures and doctrine to reflect the new operational realities. John Arquilla, who first articulated the concept ‘netwar’, argues that networking should form the basis of American, and hence, western doctrine. He suggests that ‘swarming’ used so successfully in recent times by market-state terrorist organisations — networks such as al Qaeda and Hezbollah — is the new way of war.\(^\text{112}\) Essentially, the concept calls for simultaneous strikes by small units that are

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\(^\text{112}\) Networked terrorist organisations such as al Qaeda and Lashkar-e-Taiba (LeT) use swarming tactics. Small groups using small arms or explosives can strike almost simultaneously causing maximum casualties and generating confusion in security forces’ responses. The LeT attack on Mumbai of November 2008, in
networked and empowered by unprecedented situational awareness and increasingly lethal precision weapon systems. This can occur in the real and virtual worlds. Denial of access attacks are a form of swarming. Arquilla argues that Russia conducted a swarming operation against Georgia in 2008. Here the Russians supported their military incursion into Georgia with attacks by friendly militia groups against Georgian forces as well as cyber network attacks against Georgian information networks by so-called Russian patriotic hackers.\footnote{Arquilla, ‘The New Rules of War’, p. 5.} Arquilla suggests that China is moving to a swarming operational mode. He posits that any in future conflict over Taiwanese independence would see American forces facing PLAN and PLA-AF forces trained and equipped to execute swarming operations designed specifically to defeat America’s big, expensive and increasingly vulnerable carrier battle-groups.\footnote{Big Ideas, ‘John Arquilla: Future War’, \textit{ABC}1, 15 Jun 2010, \url{http://www.abc.net.au/tv/bigideas/stories/2010/06/15/2927325.htm}. [Accessed 18 October 2010]}

In essence, the modern version of swarming has been enabled by those same forces that fomented the evolution of the market-state, that is, products of the Long War such as high-speed computing and telecommunications technology. Mobile cellular phones, GPS and internet connectivity empower both insurgents and transnational terrorists. Tactically, they enable small groups to coordinate their actions. The internet provides useful planning tools such as webmail, Google Earth and Facebook; each useful for surveillance and communications prior to, and then coordination during operations. In addition to recruiting and fundraising, discussed previously, the internet enables the passing on of lessons learnt, such as technical advice on bomb-making and new tactical techniques. It has made market-state terrorists vastly more lethal than their nation-state predecessors have. For the armed forces of market-states, the tactical modality of terrorists and insurgent requires that they too operate in a dispersed mode. The key to success against such enemies is surveillance and intelligence gathering rather than firepower and manoeuvre.

Military forces of developed and developing market-states states face a similar dilemma in relation to future state-on-state conflicts (against other developed and developing states). The computing and telecommunications revolution has resulted in the advent of long-range precision and increasingly smart weapons. In addition, there is vast and growing array of
space and ground (and sea) based sensors. The result is in demassification — the dispersion of military forces to reduce their vulnerability to detection and destruction. Market-state military forces can no longer accept the horrendous casualties of industrial age warfare, and thus swarming makes tactical and operational sense. It will be made possible by improving communications networking and ISR technology being acquired by the armed forces of market-states. The modern battlefield is likely to be characterised by the already ubiquitous UAVs prowling the skies detecting and engaging targets identified by an array of space and ground-based sensors, small, stealthy ground units connected to unprecedented precision firepower and capable of rapid long-range manoeuvre — coalescing into larger formations when appropriate.

Swarming can also be used in defensive circumstances such as providing security for indigenous populations against insurgents. An example is the use of small, dispersed combat outposts by Petraeus in Iraqi cities. In addition to networking amongst themselves and the rest of the Coalition, the outposts networked with local people, building their trust and gaining intelligence that enabled them to identify, target and successfully engage al Qaeda and other insurgents.\textsuperscript{115}

Because of this fundamental change in the modality of war, Arquilla calls for the United States to transform its military forces. He argues that the US Department of Defense should downsize and streamline its current organisational structures and retire many of its cumbersome and increasingly vulnerable weapons systems, such as large aircraft carriers and other large surface combatants. He advocates cancelling plans for the acquisition of the extremely expensive next generation air combat aircraft. Instead, he argues, the United States should purchase large numbers of smaller, cheaper and smarter weapon systems.

He envisages swarms of independent army units of platoon to half company-size air force squadrons, each of no more than a handful of aircraft — the majority of which will be UAVs, and loosely configured squadrons of small surface combatants supported by stealthy multi-role submarines. All of these would be networked and capable of a dispersed operational mode, synchronising with each other when required to raid, attack or defend.\textsuperscript{116}


This is in effect the logical extension of the skirmisher mode adopted by line army units in the aftermath of World War I. Armies adopted far greater dispersal than any other time in history to mitigate the devastating effects of massed firepower. Command and control was facilitated by mobile radio communications and, I would argue, empowering junior commanders with less prescriptive orders and scope to use their initiative. Modern armies have continued this trend by effectively pushing radio communications down to the individual soldier. In counter-insurgency, stabilisation and policing missions where a highly dispersed operational mode is the norm, they rely heavily on junior officers and non-commissioned officers to comprehend the mission’s broad objectives, and subsequently to make independent decisions, with potentially strategic consequences. Coupled with these developments is increasingly more lethal and precise firepower, delivered from longer ranges from a variety of ground, sea and air platforms. These and other developments facilitate the highly dispersed mode necessary for swarming operations.

While the American and Australian defence forces are effectively positioned to adopt swarming, there is great reluctance to forgo the major platforms that have dominated their warfighting conceptualisation for decades. Likewise, there is reticence to let go of conventional warfighting skills, typified by those sweeping mechanised manoeuvres used to great effect like those in 1990-91 Gulf War and later, in the 2003 invasion of Iraq. However, there is now general realisation that this style of engagement is the exception not the rule, that the takedown of a regime will inevitably be the precursor to a long-term stabilisation campaign and more often than not, a counter-insurgency campaign. Australia and their key allies have re-organised their defence forces to accommodate this new reality. There has been a steady transition to smaller, more agile formations. The United States Army now sees the brigade (approximately 2,000-3,000 persons) rather than the division (approximately 10,000-15,000) as its primary working formation. The ADF has gone further, nominating the independent battlegroup of around 800 to 1200 persons as its key formation.118

117 In the last few decades western armies have adopted directive control or mission command. A senior commander sets the key objectives expressed as his or her intent, and then monitors progress. Junior commanders are given broadly defined tasks and appropriate resources but how they achieve their missions is largely up to them. If they see an opportunity to exploiting a situation they are expected to do so as long it is in keeping with their senior commander’s tactical intent.

The concept of swarming should not be a big leap for the ADF. Historically it is well versed in dispersed small-team operations. Indeed, the ADF places a heavy reliance on small groups of Special Forces to undertake the more dangerous combat operations in Afghanistan. The Special Air Service Regiment (SASR) operates independent squadrons of around 150 troops, who typically operate as small independent teams of five persons. They operate in a highly dispersed swarming mode causing disproportionate effects on the enemy. They are well versed in identifying high values enemy targets and then engaging them with lethal long-range weapon systems.

Incomplete pictures: Realism and Liberalism and post-Cold War Security

I posit that both liberalism and realism do not provide satisfactory explanation for the phenomena described in the case studies above. To be sure, both provide partial insights into the shifts that have occurred since the end of the Cold War but ultimately fail to provide a satisfying explanation. Liberalism, does not offer a cogent rationale for the cause of much of the current conflict within the international order, while realism is limited in its ability to explain the patterns of cooperation between states characteristic of the global era. However, the democratic peace theorem does continue to have some veracity, at least amongst the states of consent. I posit that, both schools provide little by way of explanation regarding the rise of globalisation’s dark twin — transnational terrorism. In the aftermath of September 11, John Mearsheimer when asked in an interview what realism had to offer on the terrorist threat, conceded:

The answer is not a whole heck of a lot. Realism...is really all about the relations among states, especially among great powers. In fact, al Qaeda is not a state, it's a non-state actor.... My theory and virtually all Realist theories don't have much to say about transnational actors.\textsuperscript{119}

Liberalism offered little more: James Kurth, noting the sense of pessimism that has prevailed in the past decade, stated:


Realism provides much insight into the actual nature of relations between states, particularly the great powers. Liberalism too, offers much in explaining the impact of the forces of globalisation and their impact on the nature of state sovereignty. It also offers insights into the impact of institutions on state behaviour. Likewise, as I have demonstrated, much of Bobbitt’s work shares common ground with realist and liberal concepts — building upon and enhancing their utility. Nonetheless, both schools have failed to respond coherently to the changes to the international environment and the states that comprise it.

It is evident that states have become more porous to the flow of information, capital, goods and services, and people. In the face of globalisation, states have had to concede sovereign powers in order to remain economically competitive. Transnational issues such as the global financial crisis, environmental degradation, resource shortages, control of disease and illegal migration have forced hitherto unseen levels of state cooperation. Not surprisingly, security too, has assumed an increasingly transnational character, requiring broader and deeper cooperation between states. Cyber attack, WMD proliferation (and commodification), transnational terrorism and crime are some of the current security threats that have forced changes to state behaviour. Realist conceptualisations of self-interest and accumulation of power to bolster state security are left wanting in the face of such threats. Nuclear weapons and massive conventional forces have neither deterred al Qaeda and its fellow jihadists from waging war on the West, nor do they provide security from cyber exploitation and attack.

As noted above, liberalism does not provide a coherent framework for world conflict. The democratic peace theorem, for example, provides empirical evidence pertaining to the behaviour of wealthy industrial democracies but it does not hold for the rest of the world. Likewise, attempts by liberal theorists to establish a bifurcated world, the liberal ‘core’ and the dangerous ‘periphery’ from where most security threat emanate, provides some useful conceptualisations. However, it focuses on the extremes rather than that mass of states that
are advanced industrial democracies and not failed states. Where does China fit in this categorisation? It is not a wealthy state in terms of GNP per head of population but nor is it a failing state.

Liberalism also offers culture as an explanation for conflict. This gained prominence with Huntington’s clash of civilisations thesis. The problem with this conceptualisation is that a nation’s culture is not immutable; it shifts and evolves, regularly borrowing from other cultures. Liberalism has an explanation for the rise of militant Islam and Jihadism, framed as a reaction to the encroachment of western culture. Then why do not other similarly threatened cultures react in the same way? Liberalism despite its failings provides some clues in terms of state responses to global security issues. It proffers the impact of international institutions, an international human rights regime and the prospects of state cooperation beyond narrowly defined security focused self-interest.

**Indonesia**

Realism and liberalism do not provide explanation for Australia’s major security concerns in relation to Indonesia. I have demonstrated that Indonesia’s military capabilities are not what keep Australian security planners awake at night; rather it is the prospect of balkanisation of the archipelagic state, due to separatist movements and a central government impeded by weak economy. Islamist extremism, a major security concern for Australia, is likely to flourish in such circumstances. It cannot be either deterred by Australia’s military forces, or effectively mitigated by old approaches to foreign aid.

To be sure, Australian engagement with Indonesia can be partially explained by realist notions of self-interest and security. However, I posit that the nature of those activities comprising the engagement cannot. Rather than resort to alliances with other states — to balance or contain Indonesia or rely on military deterrence, Australia has constructed, or more accurately, cobbled together a multi-pronged and highly nuanced approach designed to both foster closer relations and bolster the development of an Indonesian state of consent.

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122 Richardson, p. 20.
In relation to militant Islam, Australia via the AFP has assisted Indonesia find and unravel Jihadist networks, while the ADF has provided counter-terrorism training. An imaginative program, typical of a market-state’s approach to seeking security, is the primary schools construction program, which is providing concrete support to the Indonesian government’s delivery of secular education to all its citizens. Likewise, Australia assists the mechanics of consensual government via the Australian Electoral Commission’s support to Indonesian elections. The Australian government also undertakes various cultural and religious engagement programs.

Realism is of little help here as it discounts the importance of a state’s internal mechanics, including its domestic political system as a determinant to a state’s behaviour within the international order. While liberal ideas of cooperation between states as broader understanding of state self-interest are clearly relevant, the notions of the democratic peace and neo-liberal economic interdependence offer little in the way of practical guidance to Australia’s Indonesian security problematique.

*Al Qaeda*

As I have discussed above, Liberalism offers little with which to understand and mitigate the transnational threat posed by al Qaeda. Al Qaeda’s messianic ambitions defy any discourse on poverty, equality and conflict. The democratic peace theorem is irrelevant in relation to a stateless, transnational organisation, whose goals are diametrically opposite to both secularism and the pursuit of material wealth. Likewise, international institutions can moderate state behaviour and perhaps provide a means of coordinating effort but are highly unlikely to provide a mechanism with which to moderate al Qaeda’s ambitions.

Likewise, Realism with its state-centric underpinnings has little to offer in combating a transnational and effectively, stateless foe. Nor does it offer much in relation to intra-state wars, which have characterised conflict in the post-Cold War period. Deterrence, whether it is nuclear or conventional weapon based, is of limited value against an enemy who believes its

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124 *Indonesia Country Brief*, , Department of Foreign Affairs and Trade Website.
ultimate success is pre-ordained, and whose members welcomes death in battle. The initial focus on kinetic military operations in Iraq and Afghanistan — the response of realist nation-states — played into al Qaeda’s hands.

**Battle of Basrah**

I demonstrated that MNF-I’s conduct of the battle is indicative of information age warfare at the higher operational level. The battle also demonstrates the complexity of warfare in the market-state era and the information-based approach required by market-state military forces to succeed. However, it does not demonstrate the shortfalls of traditional international relations theory. Nonetheless, it is apparent that Realism provides little guidance in relation to the conduct of such a conflict. Liberalism, as I have noted, is little better but does offer some useful concepts in relation to human security. Bobbitt’s market-state theory, on the other hand, provides some guidance. He highlights the importance of market-state military forces understanding that their key war aim is to provide security to the affected indigenous civilian populations, rather than seek the destruction of the enemy. He describes how military forces of the United States and other market-states, in addition to traditional kinetic operations, must be capable of undertaking a wide array of roles. They must be capable of rapid transition between humanitarian assistance, policing as well as low and high intensity combat operations.

**Swarming**

I have argued that swarming is a military evolution by non-state and some state actors to market-state phenomena. In essence, it pits small, agile and numerous units against fewer larger and more cumbersome ones. The ICT revolution enables the greater dispersion of smaller tactical elements, while superior situational awareness and access to precision munitions, in the case of state’s military forces, reduce their vulnerability to larger enemy formations. Swarming can be defensive — as Petraeus demonstrated in Iraq — or offensive in nature. It also offers the potential to significantly reduce the cost of military expenditure by states while enhancing the effectiveness of their armed forces against many of the threats becoming apparent in the market-state era.

**Conclusion**
At the dawn of the market-state era, the international security paradigm continues to grow in complexity. Globalisation has spawned a series of new security challenges ranging from greater economic interdependence and increasing porousness of the state due to the relentless march of IT revolution; militant Islam and international terrorism; global warming and resource shortages; and demassification of military force and the commodification of WMDs. Nation-state approaches to inter-state relations, non-state threats and war-fighting, are becoming increasingly irrelevant and, I posit, are being supplanted by market-state methodologies.\textsuperscript{125}

The three case studies I have selected support the thesis’s central argument and are indicative of the complexity and nuance of the approaches needed by market-states and their armed forces to mitigate future security threats. These approaches are characterised by: cooperation, that is, ‘whole-of-government (WoG) within a state; and formation of coalitions amongst states; a market-based methodology, that is, based on demands for efficiency and return on investment; and, information age sensibilities such as minimal casualties to one’s own security forces and civilians caught up within a conflict. Moreover, this is likely to happen under the glare of the global media, both formal — CNN, BBC, al Jazeera, newspapers etc and informal — posting of images and blogs by individuals onto the internet.

\textit{Australia’s Indonesia Policy}

Indonesia’s importance to Australian security has been discussed at length previously in this thesis. In essence, its population size and proximity to Australia, its constant battle to maintain territorial integrity as it straddles the northern approaches to the Australian continent combine to establish its primacy in this country’s security calculations. Coupled with this, is its status both as the dominant member of ASEAN and as a critical front in the war against militant Islam.

Australia’s policy approach to Indonesia has numerous market-state-like elements though I hesitate to nominate them as a coherent strategy. Australia has sought to foster habits of cooperation and interdependence across a number of key areas including the economy; social and cultural; defence; education; improvement of governance and jurisprudence;

\textsuperscript{125} State relations defined by treaties, traditional alliance constructs such as NATO and conventional war-fighting methodology.
environment; and border security. The combined effect of Australia’s programs in each of these lines of operation is reinforcing gains made in Indonesia’s progress towards a becoming state of consent and laying of foundations for its market-state evolution.

**Way forward**

The disparate elements of Australia’s Indonesia policy should be integrated into a formal whole-of-government strategy whose aim is to foster the development of a secular, prosperous Indonesian state of consent with a natural predisposition to Australian partnership across the broadest possible range of mutual security issues including environment and economy. This would create efficiencies and economies. Other like-minded states with a significant stake in a stable, prosperous Indonesia should be invited to align their aid and assistance within a mutually agreed structure to maximise economy and efficiency.

The ADF’s role in this strategy would be significant, ranging from optimising existing military-to-military exchanges, counter-terrorism intelligence sharing and training, humanitarian assistance and disaster response cooperation, to professionalising the TNI. In addition, from an Australian perspective, there is a need for cooperation in the sensitive issue of border protection.

The Australian government should address the greatest weakness in the relationship, that is, mutual adverse public perceptions by implementing a long-term information campaign that is strategic in scope. The timeframe would need to be at least several election cycles in duration. Indonesia should be offered the opportunity to shape and participate in it and it should be well funded. It should integrate extant dialogues such as the Ministerial Forum and visits by senior political leaders; and programs such the inter-faith dialogues, and cultural exchanges.

**War Against al Qaeda**

The conflict demonstrates the requirement for developed states to think of holistic cooperative approaches to strategy and to redefine definitions of victory. There is clearly a need for political and military leaders to develop strategies based on the concepts of preclusion and resilience, of mitigating terror and fostering consent; to develop appropriate forces capable of acquiring and then acting on the detailed intelligence required for preventive actions ranging from cyber attacks to strategic raids to preventative wars.
The so-called ‘Global War on Terror’ should be viewed as an American-led war of ideas with al Qaeda, specifically and militant Islam, generally. The war’s aim should be to bolster moderate Islam (potential and existing states of consent) in the face of the threat posed by militant Islam. Al Qaeda, militant Islam’s self-appointed vanguard, as has been described previously, seeks radical transformation of the current global order. Al Qaeda’s the organisation, by most accounts, is not faring well in the conflict against the United States and its allies. This is no accident. Al Qaeda’s core leadership remains holed up in the border regions of Pakistan and Afghanistan, and is no longer able to carry out operations of the scope of September 11. Its recourse to outsourcing conflicts in Saudi Arabia, Egypt, Iraq, Afghanistan, Yemen, Algeria, and Somalia have had mixed results. While there are some successes there have been major setbacks — most notably Saudi Arabia and Iraq. America has strengthened its relations with key Islamic states such as Saudi Arabia, Turkey, Indonesia, Jordan, the Emirates and Kuwait, who in turn have shown considerable resolve in combating their home grown jihadists and cooperating to mitigate the international threat.

Measures are in place to block jihadist income streams and restrict the movement of operatives. There has been implementation of new legal measures to enhance states’ ability to identify arrest and then try militants. Of critical importance is the repair work to America’s legitimacy by the Obama administration caused by Abu Ghraib and Guantanamo. Militarily, the United States and its allies are making the necessary transition from industrial age conventional warfare — constrained by the logic of nuclear deterrence — to an information-age mode. This envisages full spectrum operations spanning counter-insurgency, humanitarian assistance, counter-terrorism and conventional-like operations.

Al Qaeda’s response has been to mutate from an organisation into a movement. These franchises and affiliates are, with a few notable recent exceptions, local in their operational focus. There exists the potential for a new unifying figure like bin Laden to emerge and perhaps form a successor organisation to al Qaeda core leadership. Moreover, on top of this there remains the serious problem of radicalised members of Islamic Diaspora in the western states. They too may be able to produce the odd strategic shock. Obviously, all bets would be off if al Qaeda or one of its affiliates acquired nuclear weapons.

Way Forward
Iraq and Afghanistan remain as the war on terror’s key campaigns as they are indicators of western resolve to defeat the jihadists. Much blood and treasure have been expended to this point. A forced withdrawal followed by a descent into terror would represent a major strategic loss. On the other hand, if some measure of success is achieved, namely, America and its allies establish something approximating an Iraqi state of consent or, in the case of Afghanistan, a state incapable of providing sanctuary for al Qaeda and its affiliates, it will constitute a major body blow to the jihadists. Indeed, the fact that no major attacks, that is, of the scale of September 11 size have occurred in either western or other major developed or developing states constitutes a major victory.126

**Battle of Basrah**

MNF-I’s response to an untimely crisis was a rapidly conceived and superbly executed information operation that ultimately transformed the strategic landscape in Iraq. In crisis, Petraeus saw opportunity to regain Coalition control of Basrah; reduce Iranian influence; consolidate al Maliki’s political position; bolster the credibility of the ISF; and position his forces to move on Sadr City. The operation positioned the ISF as the face of the operation. Coalition adviser teams with access to Coalition logistic, C2, air, artillery, and Intelligence, Surveillance, Target Acquisition, Reconnaissance (ISTAR) assets gave the ISF a decisive advantage against the elements that controlled Basrah. Local and international media were fed media releases that established and then reinforced the perception of bold leadership by Maliki, his concern for the people of Basrah, and the Iraqi Security Force’s operational competence.

The lessons for the ADF are significant: Basrah of early 2008 is likely to be typical of the conundrums faced by senior military commanders of market-states in future wars. Senior military leaders must now understand that controlling international global media and the internet use within the battlespace is a major challenge. Information will become more and more difficult to contain. Their operational planning may require shaping international, homeland and local audiences’ perceptions and contingencies for mitigating the impact of bad news. They also need to understand that kinetic actions must be subordinated to information outcomes that they are not ends in themselves. Petraeus’s insistence that the ISF

126 The bombings in London, Madrid and Mumbai while serious were not of the strategic magnitude of the events of September 11.
be the face of both the HA and kinetic facets of the Basrah operation is salutary. This last point is significant in any campaign in which an interventionist force is battling an insurgency and training indigenous security forces to replace them eventually. Ultimately, once responsibility for fighting the insurgency the indigenous security force’s performance thereafter will be a prime indicator of the campaign’s success or not.
Chapter 5

An Australian Market-State Defence Policy

As described in Chapter 3, a future Australian market-state faces an increasingly complex and difficult security environment. Australia’s regions abound with a range of state and non-state actors that could potentially threaten Australian interests. These range from a great power, that is, a mercantilist China, to weak or rogue states, including Myanmar and North Korea to Southeast Asian terrorist groups such as JI and Abu Sayyaf. In addition, there is the likelihood of regular major natural and man-made disasters within the region, which could also disrupt the development of consensual governance in states such as Indonesia and the Philippines.

In the future, Australia will face the prospect of terrorist strikes of varying types, increasing sophisticated cyber espionage and attacks, and a range of biological threats, both natural and man-made. It may have to undertake stabilisation missions, usually in concert with other major states, in Southeast Asia and the South Pacific. It will be expected to contribute to global interventions — as it has in the last two decades. Consequently, it will have to make difficult decisions regarding an appropriate defence policy. Primary amongst these is the relationship with the United States. Australia needs to assess whether its sixty year old alliance will remain relevant in the market-state era or not.

It is apparent that United States wishes to retain its position of global leadership and should do so for the next few decades at least.\textsuperscript{127} To achieve this it is likely to continue to provide a series of collective goods. Current examples include, its role as regional protector, that is, by underwriting the security of potential rivals such as China, India, Japan and Western Europe, it allows them to allocate more resources to economic development. In addition, the United States acts as a regional pacifier, promoting a universal security architecture, where America acts in concert with regional players against regional threats. As long as it is willing to produce these, Europeans and Asians will not produce these themselves and thus cede global

leadership to America. The components of these American provided collective goods include extended nuclear deterrence, BMD systems, large conventional forces, many of which are forward based in strategic locations underpinning regional stability; and humanitarian assistance in the event of international crises. These roles will become increasingly difficult for America to sustain, given its relative economic decline. It will probably look to other like-minded states, such as Britain and Australia, to do more.

Australia, on the other hand, will remain a middle power for the foreseeable future and therefore the scope of its ambitions will necessarily be more circumspect. That is not to say that it does not have a major stake in a world order dominated by the United States. It follows that it will to continue to value the security offered by the ANZUS Alliance. However as noted previously, the capriciousness of market-states will present some difficulty, in that Australia’s value as an ally to the United States cannot be taken for granted. As a lesser power, it will have to husband resources more carefully in producing its own collective goods and assisting the Americans deliver theirs. On the other hand, market-state desires for flexible and less formal security arrangements provide an opportunity for Australia to redefine ANZUS so that there is potentially greater manoeuvrability when confronting strategic dilemmas such as a possible military conflict between China and America.

Australia’s defence policy should articulate concepts of the ADF’s role in fostering societal resilience and mitigating vulnerability. Given the global nature of many of the threats faced, it makes strategic sense to have a considerable expeditionary capability. Likewise Australia should invest in high value niche capabilities that can form the basis of an asymmetric strategic approach in relation to state-on-state conflicts as well as being attractive to the United States in its provision of collective goods.

These niche capabilities should include submarines, UAVs, special forces, cyber and electronic warfare units, long range missiles, and agile, hardened and networked mechanised infantry, artillery and armoured units. Importantly, these capabilities offer a reasonable likelihood of enabling the ADF to prevail against a variety of opponents. They also offer the prospect of relatively low causalities in most types of conflicts, up to and including state-on-state ones.

In this chapter, I will assess the ongoing relevance of Australia’s traditional grand strategic, approach which includes the American alliance; and the current defence policy — as articulated in the 2009 Defence White Paper. In addition, I will identify the key features of an appropriate defence policy for an Australian market-state. This will include discussion on threat prioritization, military technological approach, force structure development, and criteria for future military interventions.

**Grand Strategic Approach**

Does Australia’s traditional grand strategic approach remain valid in the market-state era? As discussed previously, Australia is a maritime trading state with a stake in an international system dominated by free market economics, as opposed to one characterised by trading blocks and protectionist trade practices. For continued prosperity, Australia requires access to the world’s markets via its long sea lines of communication. Australia’s liminal status in East Asia is likely to be exacerbated by the market-state’s eventual domination of the international system. It is conceivable that Australia could be one of two entrepreneurial-like market-states (New Zealand being the other) in a region dominated by the mercantile form. The region’s major power, China, is evolving into an authoritarian mercantile state, while Japan is also likely to evolve into the mercantilist form. Thus, Australia’s alliance with the United States, the world’s pre-eminent maritime power for the next few decades at least, makes strategic sense.

Australia has generally profited from an American dominated world order and since the Cold War, has regularly assisted its production of global collective goods. It has made substantial contributions to wars against revisionist states in the past and more recently interventions designed to mitigate international terrorism and WMD proliferation. It the future it may be required to assist entrepreneurial states including America, contain the rise and moderate the influence of mercantile states in Asia-Pacific. In this, there is clear confluence of strategic interest with the United States long-term grand strategic aim of preventing the rise of a power, or powers with the potential to dominate the Eurasian landmass.129

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Given Australia’s tradition of parliamentarianism and capitalism, it is in its interests to foster an international system dominated by free-market economics and notions of ‘transparent’ sovereignty, which implies respect for individual human rights and the rule of law. It follows that Australia should support an American aim of an international order dominated by states of consent. This is logical politically and I posit, more nuanced than the simple-minded nation-state notion of making the world safer by spreading democracy. In addition, the concept of parliamentarianism implies a wider variety of governance models and alternatives to western notions of democracy but it has at its foundation, governments ruling with the consent of those governed. It also implies individual freedom — sexual, religious and political expression — underwritten by the rule of law. Interestingly, the United States 2010 National Security Strategy, while still containing much nation-state rhetoric, has adopted the market-state aim of expanding the ‘circle of consent’, that is, the number of states in which individual liberty and prosperity and transparent notions of sovereignty are the norms. The document also articulates the notion of trading collective goods for leadership of the international order.\footnote{National Security Strategy, The White House, pp. 3-4.}

What then for the future of ANZUS? Entrepreneurial states favour ad hoc coalitions of the willing but I posit, bilateral alliances based on a broad confluence of strategic interests, cultural and political values and habits of cooperation will not be redundant.\footnote{Bobbitt, Shield of Achilles, pp. 286-7.} If Australia’s future cost/benefit analyses finds in favour of a close alliance with America it will, as the junior partner, have to put significant effort into alliance maintenance. Activities such as positioning itself as a Southeast Asian expert, fostering a close relationship with ASEAN, and acquiring military capabilities that assist the United States contain Chinese influence in the region will assist this. This is in addition to its traditional contributions to global security mission, intelligence gathering, providing access to Australian territory for military basing and so on.

**Current Australian Defence Policy**

The Government has decided that Australia's defence policy should continue to be founded on the principle of self-reliance in the direct defence of Australia and in relation to our unique strategic interests, but with a capacity to do more when required, consistent with those strategic interests that we might
share with others, and within the limits of our resources. This posture entails
the maintenance of alliances and international defence relationships that
enhance our own security and allows us to work with others when we need to
pool our resources. 132

In its basic conceptualisation, the defence policy articulated in the 2009 White Paper is little
different to that formulated in the aftermath of the Vietnam War. In essence, it states that
Australia should strive to achieve defence self-reliance to the maximum degree possible,
given the constraints of its indigenous military industrial capacity and financial resources. In
other words, it should not depend on the United States to act as its ultimate security
guarantor. Now as it did then, it recognises that certain military capabilities are beyond our
reach and therefore necessitates some reliance on our major ally for ‘combat enablers’ such
as intelligence, strategic logistics, including the supply of critical repair parts and
sophisticated munitions types.

The current policy remains based on a state-centric military strategy underpinned by a
geographic determinist world-view, which envisages the ADF being able to defeat a direct
attack by another state/s from the northern approaches to the continent. The strategy gives
priority to security in the near abroad, in particular the northern littoral that includes
Indonesia, Malaysia, Singapore and New Guinea, because it is through here that a enemy
force would have to transit and possibly stage, prior to attacking the Australian mainland.

The next region of importance is the Asia Pacific, in particular Southeast Asia and the South
Pacific and finally, the rest of the world. To be sure, geographic determinism has been
softened in the current White Paper and there is a greater focus on non-state security issues. It
contains much discussion in relation to protecting Australia’s interests and, I posit, some
tentative embracing of market-state concepts, but its rhetoric remains essentially that of a
nation-state. It is clear its authors were intellectually reluctant to go beyond ‘protecting the
moat’ to squarely face the challenges of the information age. This unwillingness to make the
intellectual leap is clearly reflected in the ADF principal tasks, which are: deterring and
defeating an attack on Australia; contributing to stability in the South Pacific and East Timor;

contributing to military contingencies in the Asia-Pacific with a focus on Southeast Asia; and contributing to military contingencies in support of a stable world order.\textsuperscript{133}

**Deterring and Defeating an Attack on Australia**

This task focuses on the prospect of conventional military attack by another state or states against the Australian mainland and/or territories. The White Paper acknowledges there is a low likelihood of this occurring but argues that because the consequences are potentially catastrophic — an existential threat to the Australian state — its prevention is the ADF’s primary task.\textsuperscript{134} As always, the regional state/s capable or willing to attack Australia are not identified. There are hints elsewhere in the document that China is the most likely prospect because of its military modernisation program which delivering it significant power projection capabilities, and that it has great power ambitions of global leadership. Chapter 4 of the White Paper discusses China’s rise at some length, noting the importance of its ongoing relationship with the United States as well as its need for greater transparency in relation to its strategic intentions.\textsuperscript{135}

The strategic approach selected to mitigate this threat, which the White Paper describes as returning to our classic strategic roots, is described as layered defence in depth. It is uncomfortably like an updated Australian version of the Maginot Line. There is also the question of operating within the northern approaches to the Australian continent. Do really we expect Indonesia to allow the ADF to manoeuvre within its territorial space?

Likewise, the concept of preventing or mitigating attempts by nearby states to develop the capacity to attack Australia, as Rod Lyon and Andrew Davies point out in their assessment of the White Paper:

> [c]asts a shadow over the partnership that Canberra has been attempting to build with Jakarta across a range of strategic issues, and overlooks the benefit that we

\textsuperscript{133} *Defending Australia in the Asia Pacific Century: Force 2030*, pp. 53-6.

\textsuperscript{134} *Defending Australia in the Asia Pacific Century: Force 2030*, p. 54. The section relating to the military strategy that the ADF would pursue in meeting this task describes maritime operations in the littoral environment to the north, characterizing the approach as defensive but pro-active rather than reactive. It notes that the boundary between domestic and external security has become blurred. The ADF may become involved in defeating or mitigating the effect of potential attacks by non-state actors within Australia.

\textsuperscript{135} *Defending Australia in the Asia Pacific Century: Force 2030*, p. 34.
derive from having, in Southeast Asia, partners able to sustain military operations that contribute to their security, and thereby ours. ¹³⁶

The ADF’s operational reality since federation has been not to sit behind the moat, but to protect Australia’s interests, usually by helping like-minded states defeat revisionist states as far from Australian territory as possible. This was the modus operandi used against Germany in two world wars, Japan in the Second World War and the USSR during the Cold War. More recently, Australia has joined the American-led coalition to mitigate the global threat posed by al Qaeda.

Realistically, China is the state most likely to threaten Australian interests in the future. Its increasingly assertive and mercantilist approach to foreign relations is underwritten by its continuing economic success and a rapidly improving PLA. China has a growing expeditionary capability and it aspires to having several operational carrier groups within the next decade or so. ¹³⁷ Assuming that it would be willing to use conventional military means to attack Australia it would first have to calculate America’s response. This is highly likely to be adverse given its formal alliance with Australia. The United States with its 11 carrier groups, 72 submarines and 108 major surface combatants, along with the highly deployable combat power of the United States Marine Corps and its forward bases in Japan and South Korea, is set to dominate the Pacific Ocean for next 20 or 30 years, despite Chinese naval advances. ¹³⁸

How likely is China to attempt to use conventional naval means over the vast distances, through Pacific Command with the threat of an overwhelming American military response, to attack the Australian mainland? Obviously, a lot can change in several decades; China could improve its power projection capabilities by successfully developing a sizeable aircraft carrier capability and/or establishing forward bases, as the United States has done in the


Pacific Ocean. However, any attempt to establish bases in Southeast Asia is likely to unite already anxious regional member states against China and in all likelihood, prompt them to seek American assistance. Likewise, American naval capabilities will not remain idle. The United States Navy will significantly increase and diversify its naval air capability through such programs as the Landing Helicopter Assault (LHA) ships, each capable of carrying up to 22 F-35B Lightnings or a mix of these and various types of helicopter.  

In the highly unlikely event that a major regional power such as China decided to test American resolve and the condemnation of international community with the attendant consequences to attack Australian territory, it is likely to be limited to action by some combination of Special Forces, anti-satellite capability, submarines, cyber-attack forces or even terrorism by proxies. Of course, this would not occur in isolation. One would reasonably expect some prolonged diplomatic or economic crisis to trigger hostilities, and other non-military options to be exhausted before the very serious step of initiating military action. However, market-states will have a growing number of unconventional military and non-military means to attack other states. These include traditional tools such as diplomatic action and economic sanctions, and developing capabilities such as cyber exploitation and attack that could, in fact, cause adverse physical outcomes in the target state. These could include degradation of its power and information networks. This is worthy of serious consideration given China’s current aggression in exploiting and even attacking other states’ information infrastructure.  

In space, it recently demonstrated its anti-satellite capabilities — clearly showing its ability to target the American defence force’s dependence on satellite communications. In addition, senior military figures in the PLA have publicly contemplated the use of nuclear weapons against a superior enemy. Therefore, how much more likely is China to attack Australian interests, such as its ability to traverse its SLOCs, its vulnerable information infrastructure, or even its economy?


141  ‘Annual Report to Congress 2006’, p. 36.
The defence of Australia is framed within a nation-state context and consequently is of limited utility in meeting the security challenges of the market-state era. The more appropriate approach is for the ADF to have as its primary task in the protection of the Australian homeland based on preclusion and resilience, which I will discuss in detail later. Where possible the ADF should seek to prevent physical (kinetic) and non-physical (non-kinetic) attacks on Australia and its interests. This includes physical and non-physical attacks by other states and non-state actors. It also requires the ADF to be prepared to mitigate the effects of physical attacks and natural disasters, and help emergency services in the recovery.

**Contribution to Stability in the South Pacific and East Timor**

In essence, this task is to maintain stability in Australia’s near neighbourhood, which is defined as New Guinea, Indonesia, New Zealand, East Timor and the South Pacific. Except for New Zealand, these states straddle the all-important northern approaches to the Australian mainland. According to the White Paper, no power currently has the military capability to threaten Australia or control the approaches to the north. The corollary is that Australia does not want any outside power or agency to establish a presence in the near abroad that could upset the current equilibrium. This could range from a major military base to extremist training camps. While both are feasible, how likely is the former? Is China, Russia or Japan likely to undertake such a provocative act, in the face of almost certain American opposition, anytime in the near future?

What is the real strategic importance of the South Pacific and East Timor? East Timor and the microstates of the South Pacific pale in comparison to the strategic importance of Southeast Asia and East Asia, the Indian Ocean Region, and even New Zealand. Indonesia is of course a member of Southeast Asia and a very different proposition, its proximity, size and position of regional leader make it vital to Australia’s long-term security. New Zealand too, is in a different category to the rest of the neighbourhood — it is an evolving market-state with, I posit, predominantly entrepreneurial characteristics. Australian and New Zealand have an annual two-way trade that equates to $14.5 billion and they have a shared history as well as similar political and social values. New Zealand has been a reliable security partner in

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142 *Defending Australia in the Asia Pacific Century: Force 2030*, p. 42.
many endeavours including, most recently, East Timor and the Solomon Islands. In comparison, the economic relationship with Southeast Asia equates to $39.3 billion in two-way trade for 2009, while two-way trade with East Timor and the 21 states of the South Pacific was less than $1.5 billion.\(^{144}\)

On the other hand, Australia appears to have an unending security commitment to maintaining social and political stability within what are, in the main, unviable South Pacific states. The rationale for Australia’s current approach is preclusion of the development of a range of ‘mini-Somalias’; failed and failing states in which internecine conflict and organised crime run rife. The great fear is that international terrorists could exploit these conditions. There is the concern implicit in the White Paper that other states from outside the region such as China could step in and perform such a similar role, paving the way for developments potentially inimical to Australian security interests.\(^{145}\) Therefore, while it makes some strategic sense that Australia should underwrite regional stability to a degree, it is questionable that the region’s importance is greater than that of Southeast Asia and the Middle East.

**Contribution to Military Contingencies in the Asia-Pacific**

The next concentric ring of the White Paper’s worldview encompasses the Asia-Pacific. The ADF’s task relates to contributing to American-led coalitions that help maintain strategic stability in the region. It notes that the ADF should be prepared to engage in conventional conflicts as well as stability operations. The former implies Australian involvement in potential conflicts on the Korean Peninsular, and perhaps in defence of Taiwanese independence. A conflict between China and the United States over Taiwan is a nightmare scenario for Australia, as previously discuss. It also offers the prospect of a serious number of American (and Australian) casualties. While it is unlikely that the PLA could defeat the


might of the United States any time in the next few decades, a credible showing could threaten America’s unchallenged leadership in the Asia Pacific. Given the strategic reliance Australia’s on the United States, this would be deeply unsettling and would require serious re-thinking of many of its defence policy key assumptions. Unsurprisingly, the White Paper tends to focus on the importance of conventional capabilities such as submarines, Special Forces, surface combatants, and air combat capabilities that would significantly bolster American military dominance in the region.

It notes the particular importance of Southeast Asia, stating that any belligerent power or powers wishing to attack Australia would have to transit through this region. A prosperous and stable Southeast Asia would militate against this. Presumably, because member states would be able to maintain significant maritime capabilities and their governments, if not totally absorbed by internal problems, are likely to be focused more on external security.  

In relation to the broader Asia-Pacific, the White Paper echoes the United States’ grand strategic aim of preventing a major power or powers, hostile to American interests dominating the Eurasian landmass and thus challenging its supremacy in the Asia-Pacific region. It states: ‘[T]he would be in our strategic interests in the decades ahead that no power in the Asia-Pacific region would be able to coerce or intimidate others in the region through the employment of force...’  

It suggests that an engaged America with a strong military presence deployed in the western reaches of the region will maintain stability and continue to prevent this from occurring. In addition, it posits the desirability of the region’s major powers being enmeshed in a security architecture that enables peaceful resolution of problems. Interestingly, it makes no mention of Russia’s resurgence and the implications for the region. While China’s military modernisation program is acknowledged, and concern expressed at its lack of policy transparency, there is no mention of its growing belligerence in the South China Sea or its aggressive activity in cyber-space. More importantly, the consequence of China’s ongoing development of an asymmetric strategy, whose aim is to defeat a technologically superior enemy, is not discussed.

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146 Defending Australia in the Asia Pacific Century: Force 2030, pp. 42-3.

147 Defending Australia in the Asia Pacific Century: Force 2030, p. 43.

148 The article quotes Professor Clive Williams, a noted specialist on security matters who describes China’s considerable cyber warfare capabilities and its apparent intent to use them. The Age (Melbourne), ‘Spies@work’, 22 January 2010. His contentions are supported, albeit guardedly, in the 2009 and 2010 reports to Congress on China’s military power – see Annual Report to Congress: The Military Power of the
The White Paper pays little more than passing attention to non-state threats such as piracy and international terrorism but does nominate the growing importance of resource protection and the vulnerability of Australia’s SLOCs. Overall, the White Paper’s focus is very much state-centric, geographically deterministic, and reliant on safe, conventional military solutions.

**Contributing to Military Contingencies in Support of Global Security**

Beyond our region, Australia cannot be secure in an insecure world. We have a strategic interest in preserving an international order that restraints aggression by states against each other, and can effectively manage other risks and threats, such as the proliferation of WMD, terrorism, state fragility and failure, intra-state conflict, and the security impacts of climate change and resource scarcity.\(^{149}\)

The section of the White Paper that addresses the final of the concentric rings — effectively the rest of the world — articulates almost market-state-like security concerns. In effect, it nominates the desirability of maintaining an international society based on consent. It suggests that continued American global leadership is the best means of achieving this goal and it is in this section that the semantic contortions justifying the Defence of Australia paradigm are at their most extreme. There is a rather clumsy justification for geographical hierarchy — the near abroad is more important than the far abroad — as the basis of strategy. Yet it notes that some security events that are far from Australia are more important than those that are nearby, and that the latter may require a military response.\(^{150}\) The subtext is the need for the ADF to provide expeditionary forces to global security missions, which are in alignment with Australian national interests. Caveats to this include the need for UN sanction and ensuring that Australian contributions are tailored to our limited means. Highlighted is the suitability of the ADF’s niche capabilities, including: medical, logistics, mine clearance and communications force elements. These specialists have the desired market-state characteristics of being high value to a senior coalition partner and unlikely to be used in high risk circumstances.

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\(^{149}\) *Defending Australia in the Asia Pacific Century: Force 2030*, p. 43.

\(^{150}\) *Defending Australia in the Asia Pacific Century: Force 2030*, p. 43.
The Middle East and Afghanistan receive special mention with the discourse relating to the latter reading like a justification for continued Australian support to the American-led campaign against the Taliban. The White Paper nominates that it is in Australia’s interests to participate in efforts to mitigate the terrorist threat, but interestingly it notes that it is not a principal task for Australian troops to engage in high intensity operations like the ground invasion of Iraq in 2003. The reason for this qualification is due to the unacceptably high risk of casualties which an is important consideration for a relatively small market-state.

**Prioritisation of Threats**

It is apparent that the current White Paper remains mired in the nation-state era when it comes to assessing threats to Australia’s security. Geography remains as the key determinant of Australia’s military strategy, and while it is an important factor in a state’s security calculation, it is self-evident that the relevance of borders and distance from threat loci continues to diminish. As Lyon and Davies noted in their assessment of the White Paper:

> [t]hat emphasis on geographical determinism is reinforced in the White Paper’s acknowledgement that, while Australia has four major strategic interests — a secure Australia, a secure neighbourhood, a stable Asia-Pacific and a rules-based global order — only the first two of those interests will actually shape the Australian force structure. Given that, one could be forgiven for wondering why the power balance shifts in the wider Asia-Pacific engendered by the rise of China are given so much prominence elsewhere in the document. Indeed, there seems to be something of a disconnect here. If developments in the wider region are not force structure determinants, why the emphasis on a larger fleet of long-range submarines with strategic strike capabilities.\(^{151}\)

It also follows that Pakistan’s stability and the ongoing security of its nuclear weapons arsenal is more important to Australian security than the maintenance of law and order in the Solomon Islands and East Timor. It makes little strategic sense that both are assigned a higher priority in the 2009 White paper. The prospect of Pakistan with its nuclear arsenal becoming a state of terror under the yoke of a theocratic regime is surely cause for more serious concern. Likewise, priority should be given to the ADF’s role in mitigating the threat posed by international terrorist groups such as al Qaeda and JI. Also, given the jihadist desire to inflict mass casualties in western states, efforts to curb the spread of weapons of mass destruction should also be a high priority.

In relation to defence of the Australian homeland, emphasis should be on placed on the ADF’s role in building societal resilience. That is ensuring that the ADF is able to respond effectively in times of national crisis such as major bushfires, floods and epidemics is as important as its ability to wage conventional warfare. These are the realities of security in the market-state era. Likewise, it should play a major role in reducing Australia’s critical infrastructure’s vulnerability to cyber exploitation and attack by state and non-state actors. That is not to say that the acquisition of the capabilities earmarked for conventional threats should be summarily halted, rather they should be re-assessed in light of likely future threats. Likewise, hedging against the possibility of attack by another state as a part of some future conflict in a possible epochal conflict also makes strategic sense given the long lead times of acquiring major new military capabilities.

A broad and more imaginative assessment of the types of potential attack by state and non-state should be undertaken. Likewise, when considering larger scale more conventional military attacks, rather than defaulting to conventional capability solutions such as main battle tanks, manned fighters and large surface combatants. Information age weapons systems such as the next generation of UAVs; reconnaissance, strike and air combat as well as small-unmanned surface and sub-surface combatants and robotic land vehicles should be thoroughly considered as alternatives.152

Winning Wars in the Market-State Era

Robert Merry, in a recent piece for Stratfor, concisely articulates the dilemma for the political leader in defining victory in the wars of the market-state era.

[B]ut, as Obama noted in his speech, this is “an age without surrender ceremonies”. It’s also an age without victory parades. As he said, “we must earn victory through the success of our partners and the strength of our own nation”. That’s a bit vague, though, and that’s why Obama’s speech laid out the elements of the Iraq success in terms that seemed pretty much identical to what George W. Bush would have said. We succeeded in toppling Saddam Hussein. We nurtured an Iraqi effort to craft a democratic structure. After considerable bloodshed, we managed to foster a

152 Max Boot, War Made New: Technology, Warfare, and the Course of History 1500 to Today, Penguin Group, New York, 2006, pp. 440-441. Boot discusses the new nature of war and the growing relevance of ‘swarming’ both at the tactical and operational levels of warfare. Swarming, in essence, uses many dispersed small force elements networked and empowered by technology to strike an enemy in multiple locations — often simultaneously, to overwhelm his or her ability to make effective decisions and thus causing paralysis in decision-making.
reasonable amount of civic stability in the country so the Iraqi people can continue their halting pursuit of their own destiny.\textsuperscript{153}

To prevent the spread of terror, states of consent will regularly undertake interventions into states where the security of civil population is at risk. This does not imply continuous military interventions by western states. Politically, this is unsustainable and unrealistic if the target is a major state like Iran and China. Information operations, economic inducements and trade incentives, cyber warfare and strategic raids and covert operations will be preferred market-state options. Political leaders will be reluctant to contemplate long-term wars like Iraq and Afghanistan in all but the most urgent of situations. There will need to be a reasonable prospect for success at relatively low cost in terms of the lives of its military personnel as well as public desire.

When market-state states of consent undertake military interventions, the security of civilians will be their overarching campaign goal. They will attempt to build a level of security that allows societies to develop and/or maintain consensual government.\textsuperscript{154} President Obama, in the above speech, which was marking the conclusion of a major withdrawal of American combat troops from Iraq, appears to understand this new reality. He also seems to understand the need for redefinition of nation-state conceptualisations of victory. The best result market-states can expect in the interventions of the future will be the mitigation of terror and improvement to human security such that affected states will have an opportunity to develop their own form of consensual governance.

\textbf{Preclusion}

Market-states are likely to adopt strategies based on preclusion, that is, willingness to adopt a course of action in the present to prevent a future adverse state of affairs. For the state of consent, terror itself is to be precluded, usually by protecting innocent civilians. This varies significantly from a nation-state tendency to deterrence and retaliation. Market-states will regularly undertake military interventions to prevent unacceptable violations of human rights such as ethnic cleansing, mass rape and lawlessness, as well as mass civilian casualties.


\textsuperscript{154} Bobbitt, \textit{Terror and Consent}, p. 197.
resulting from genocide, internecine conflict and natural disasters. Likewise, a state with intelligence indicating imminent attack by a terrorist group in a neighbouring state, either unable or unwilling to intervene, is likely to take pre-emptive military action. Inevitably, leaders of market-states will be forced to make hard decisions regarding initiating anticipatory military actions. Particularly since these concepts have been made unpopular by the Iraq invasion in 2003, nonetheless they will become the modus operandi of the market-state.

The use of military force preclusively is, in a sense, a leap of faith. It requires political leaders to have the courage to act proactively on often-incomplete intelligence. Market-states, therefore need to ensure that their intelligence agencies are adequate in size, resourcing and, most importantly, are intellectually able to switch their focus away from well known security problems to hitherto little considered ones and quickly acquire detailed information. In the worst case, this intelligence will be the basis of swift and decisive action by the political leadership often with far-reaching consequences. Inevitably, there will be information gaps and significant guesswork, therefore a dialogue with other states and, indeed, between political leaders and their own civilian population will be required to explain and therefore justify decisions that lead to dramatic courses of action.

Where possible, military courses of action will need to be graduated and recalibrated as more information is garnished and initial results assessed. It follows that where preclusive action is required market-states will attempt to form purpose built ‘coalitions of the willing’, thereby conferring at least some degree of legitimacy on a course of action and mitigating the risks involved. The preference will be for tools such as economic and trade embargoes, inspection regimes, interception of shipping and no-fly zones, and other uses of force short of war states because, as Bobbitt notes, market-states of consent want to prevent violence and its attendant consequences for civilians.155

Victory in the market-state era will be defined as not losing. From an Australian perspective it could be described as each day that a range of adverse strategic situations stay positive or neutral such as, China’s rise occurring peacefully, Australian critical infrastructure remaining

155 Bobbitt, Terror and Consent, p. 204.
intact, al Qaeda or other terrorist groups such as JI and Abu Sayyaf not acquiring WMDs, and Indonesia’s progress towards consensual governance remaining on track.\textsuperscript{156}

**Vulnerability**

[T]hreat based scenarios need to give way to vulnerability planning, which means building redundancy and resilience into our legal, medical, informational and infrastructural systems to guard against unconventional as well as conventional foes.\textsuperscript{157}

Globalisation’s benefits and pitfalls are well known, particularly in an economic sense. Within the security sphere, there is perhaps less understanding of the interconnectedness of threats. As I have shown in the Chapter, the factors that have made major market-states wealthier and more powerful than their nation-state predecessors also make them more vulnerable. State borders are more porous than at any other time in history and while developed states with information economies can still regulate the inward and outward flow of people, any attempt to do the same with information is virtually impossible and potentially economically catastrophic.

Information age technology has an increasing potential for dual use, that is, unforeseen military applications as the world discovered on September 11, 2001. In particular, the internet has been a boon for the transnational terrorist, allowing organisations such as al Qaeda to radicalise a significant number of young Muslim men, recruit, and then train them. In addition, it facilitates fund raising and command, control and, of course, garners the oxygen of publicity and wages a battle for legitimacy against the market-states of consent.\textsuperscript{158}

Telecommunications, including the internet, has enabled major economic growth – industries across the developed and developing worlds. The downside is that private corporations, individual citizens, government bureaucracies including armed forces of market-states, are all potential prey for a host of nefarious internet users such as hackers, international criminals,

\textsuperscript{156} Bobbitt, *Terror and Consent*, pp. 213-5.


terrorists, intelligence agencies of other states. In addition, states economies are vulnerable to the capricious flows of the globe-spanning financial markets. Finally, the relative ease of international travel and movement of goods, in addition to the manifold economic benefits, also means greater potential for the spread of disease and movement of both criminals and their contraband and terrorist operatives.

The Australian Federal Government has demonstrated some comprehension of the new realities. The Attorney General’s Department recently released the strategy document, ‘Critical Infrastructure Resilience Strategy’. The document describes the complex threats of the information age — natural disasters, terrorist attack and cyber attack — and the vulnerability of Australia’s critical infrastructure. Information infrastructure is particularly vulnerable and increasingly underpins the operation of other critical infrastructure. The government indicates that that a whole-of-society approach, that is, a partnership between all levels of government and private industry with the federal government in the lead is required to mitigate vulnerability. The approach is non-regulatory with the government’s main contribution being intelligence and information. There is an expectation that owners of infrastructure are to refine their own disaster/emergency responses. Resilience is defined as an organisation’s ability to respond to a disaster. While the document does advocate building redundancy into networks and asks infrastructure owners to avoid constructing systems with single points of failure (and remove them in existing ones), there is little incentive, financial or regulatory, for them to do so.\(^\text{159}\)

Australia’s telecommunications networks, food chain, health and energy supply networks — electricity, natural gas, petroleum etc as well as transportation — air, sea, rail, and road are usually vast in scale and generally, lack redundancy. The distances covered by infrastructure, for example power transmission lines and telecommunications, make physical protection against sabotage virtually impossible. Likewise, much of the country’s major mining installations (particularly those off shore oil and gas extraction facilities), ports and rail links are isolated and potentially susceptible to physical disruption in the form of sabotage and missile strikes. As the Army learned during its exercising against the Dibb-inspired low level

\(^{159}\) Attorney General’s Department, Critical Infrastructure Resilience Strategy, Commonwealth of Australia, Canberra, 2010, pp. 12-16, 17. The document notes that physical protection of critical infrastructure is in most cases inappropriate as it is usually too expensive and usually impractical.
threat scenarios in Australia’s north during the 1980s and 1990s, protecting even a small fraction of Australia’s northern critical infrastructure is a herculean, if not impossible task. Such an operation is extremely expensive and difficult to sustain for a prolonged period and it is virtually impossible to prevent a determined enemy from terrorising local communities and destroying critical infrastructure.\textsuperscript{160}

Nonetheless, Defence’s role in reducing national vulnerability remains pivotal. It now has a broader array of roles than any other time in its history. In recent times, we have seen the ADF given a lead position in national cyber security, an expanded responsibility for border protection, counter-WMD proliferation missions and provision of humanitarian assistance and disaster relief and security at major national events. All are far cry from traditional war fighting, but important in reducing the Australian state’s vulnerability.

Resilience

[T]he private sector, which owns and operates most of the nation’s critical infrastructure, plays a vital role in preparing for and recovering from disasters. We must, therefore, strengthen public-private partnerships by developing incentives for government and the private sector to design structures and systems that can withstand disruptions and mitigate associated consequences, ensure redundant systems where necessary to maintain the ability to operate, decentralize critical operations to reduce our vulnerability to single points of disruption, develop and test continuity plans to ensure the ability to restore critical capabilities, and invest in improvements and maintenance of existing infrastructure.\textsuperscript{161}

The concept of resilience is closely related to that of vulnerability. In essence, it is the ability of the state to survive and rebound from natural disasters, including pandemics, deliberate attacks — potentially by state or non-state actors, and economic disruptions.\textsuperscript{162} The quote above, which is from the United State’s 2010 National Security Strategy, probably best sums

\textsuperscript{160} The ADF practiced waging low intensity operations in the north of the country throughout the late 1980s and early 1990s. The author participated in one such activity — Exercise Kangaroo ’89, which was an ambitious joint exercise whose operational scope was the entire top end of Australia. The majority of the Army, including substantial numbers of Reserve forces practiced Vital Asset Protection operations against a fictitious northern enemy, the Musorians, whose special operations forces were engaged in a low intensity campaign designed to pressure the Australian government to cede territory in the continent’s north. The small Australian Army was swallowed up in the vast distances of the Australian outback and the logistics difficulties were extreme. The enemy was extremely allusive and difficult to stop adversely affecting civil society in the north.


\textsuperscript{162} Carl Ungerer, A new Agenda for National Security, Australian Strategic Policy Institute, Canberra, 2008, pp. 3-4.
up market-state government aspirations in relation to bolstering a state’s resilience. Implicit is an acknowledgment that the state cannot provide one hundred percent protection for its citizens against all possible exigencies.

Fundamental to a state’s health is its economy. Australia’s inaugural National Security Statement Policy acknowledged that there is a need to preserve Australia as a cohesive and resilient society by promoting long-term economic strength. Market-states rely for continued economic prosperity upon those critical networks nominated previously. In the future, they can expect that terrorist attacks, natural disasters and cyber attacks will damage them, and they will adopt approaches like that outlined in the quote above. They must also make information and other critical infrastructure resistant to physical and cyber attack. This needs to happen in cooperation with other states — individual states cannot sit behind electronic Maginot Lines.

In ‘Critical Infrastructure Resilience Strategy’, resilience is defined much more narrowly; essentially as an organisations’ ability to respond rapidly and effectively to disasters and shocks. In essence, the aspiration is for critical infrastructure owners to continue to operate immediately after, or even during a shock, and resume normal services as rapidly as possible. This is fine as a starting point but more is required from the government. A proactive, rather than the current reactive approach is needed. The government will have to provide regulation along with market incentives to the owners of critical infrastructure in order to make their networks more resistant to disruption from natural disasters and deliberate attacks whether they are physical or, more likely, from within cyberspace. Communications networks in particular, will require excess capacity and some degree of redundancy to ameliorate the potential dangers from cyber attacks.

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164 Alastair MacGibbon, Cyber Security: Threats and Responses in the Information Age, Australian Strategic Policy Institute, Canberra, 2009, pp. 1-2. MacGibbon quotes a speech by President Obama during the United States’ cyber security month held in October 2009, where he described the internet as offering ‘great promise and peril and that in addition to it being a key component of America’s ‘military superiority and public safety’, it and e-commerce are keys to economic competitiveness. Obama also expressed the cyber victimisation of individual of individual Americans as ‘one of the most serious economic and national security challenges’ that the United States faces.
Societal resilience is of course, more broad-based. In addition to critical infrastructure and the maintenance of economic prosperity at the strategic level, it includes the establishment of organisational mechanisms to plan for, and effectively manage disasters. The Attorney-General’s Department, through its Emergency Management Australia Division, is responsible for crisis coordination and management when requests for assistance have been received from the States and Territories.\textsuperscript{166} It has recently established a National Crisis Coordination Centre (NCCC) and a Parliamentary Briefing Room, with the former modelled on the White House Situation Room. These were both operational from late 2010. The NCCC will focus on responses to domestic terrorist incidents, natural disasters and pandemics.\textsuperscript{167} In addition, the 2008 appointment of a National Security Advisor who has responsibility for national security policy development further bolsters the security architecture of the Australian state and sharpens the focus on national security.\textsuperscript{168}

Another important aspect is education of the civil population and the establishment of regular dialogue between authorities and citizens on the nature of security threats in order to foster individual resilience, that is, developing an understanding of individuals’ response in an emergency, and the government’s response to a given crisis. It follows that this must be supported by building civil defence capacities and the stockpiling of vaccines, anti-virals and other medical resources.\textsuperscript{169} As noted above, Bobbitt goes further suggesting than in addition to the measures mentioned above, market-states of consent should file away laws for use in the event of truly catastrophic circumstances to preclude loss of legitimacy where a government in its current form is unable to act. Without a set of appropriate procedures to fall back upon, martial law is likely to be declared, which could presage a complete democratic collapse.\textsuperscript{170}


\textsuperscript{167} Nick Floyd, \textit{How Defence Can Contribute to Australia's National Security Strategy}, Lowy Institute, Sydney, August 2009 pp. 7-8.


\textsuperscript{169} Throughout the course of 2009 governments, including Australia, stockpiled anti-virals and initiated broad emergency services readiness when the H1N1 virus, so-called 'swine flu outbreak' became pandemic.

\textsuperscript{170} Bobbitt, \textit{Terror and Consent}, p. 404. See pages 404 to 426 for a detailed discussion on stockpiling laws within the American context.
The ADF has a role in the federal government's contribution to societal resilience via the Commonwealth Disaster Plan (COMDISPLAN) to support the responses by Federal, State, Territory government departments, and emergency services to natural and man-made disasters. Defence is well suited to play an ancillary role with its ability to deploy rapidly, command and control nodes, logistics, medical/ psychological support, field messing and engineering elements. In addition, its disciplined manpower is suitable to conduct searches, community liaison, manual labour such as establishing shelter, minor construction work etc. Unlike many civilian agencies, it can sustain 24-hour operations for prolonged periods.\textsuperscript{171} In extraordinary circumstances the ADF, under the provision Defence Force Aid to the Civil Authorities (DFACA) can support police maintain law and order. The psychological impact of using the Defence Force has the benefit of reassuring the civilian population.\textsuperscript{172}

In light of evolving cyber threats, the Defence Force has a new, formal role in the maintenance of Australia's electronic communications integrity. Specifically, the recently established Cyber Security Operations Centre (CSOC) which is within the Defence Signals Directorate is to provide the government with detailed understanding of cyber threats to Australian interests, and to coordinate the response of government to cyber events of national significance across government and critical infrastructure.\textsuperscript{173} There is little doubt that the importance of this contribution to Australia's resilience will increase over time.

The fact that the Australian government is thinking, planning and communicating in these terms is supportive of my central argument. Australia's evolution into a market-state is becoming apparent in developments such as the ADF's expanded involvement in disaster response, the formation of agencies like the CSOC and government security initiatives like \textit{Critical Infrastructure Resilience Strategy}.

\textsuperscript{171} During the 2009 bushfires the ADF provided all of this and more (with the exception of directing assisting police in maintaining law and order). Defence established a Joint Task Force to coordinate its response, of which the author was commander. The Chief of the Defence Force dispatched a planning team headed by Major General John Cantwell to assist the Victorian government with higher level recovery planning.

\textsuperscript{172} The author experienced this first hand during the Victorian 2009 bushfires when, as commander of the ADF Joint Taskforce, he toured the fire affected areas in the immediate aftermath of 7th February and saw the calming effect of the military presence on survivors.

Australian Strategic Approach

It is self-evident that the broad security agenda of the market-state era requires a ‘whole of government’ approach. State security is no longer just the preserve of the Department of Defence; the Department of Foreign Affairs, Attorney-General’s Department, Treasury, Department of Resources, Energy and Tourism and probably most of those other departments unnamed, have roles in mitigating internal and external security threats. Conversely, the ADF’s role in national security has expanded and become more complex in the two decades since the Cold War’s end. In addition to traditional military security matters, Defence participates in a wide array of activities ranging from domestic emergencies such as major floods and bushfires, to supplementing security at major national events such as the Olympic Games and APEC leaders summits, to regional stabilisation missions, humanitarian assistance, disaster response, mitigation of WMD proliferation, and cyber attacks. This is in addition to its key role, namely, the ability to fight and win the wars of the market-state era.

I have previously made the point that geographic determinism has acted as an intellectual straightjacket for defence planners for more than two decades. The stated strategy, defence of the continent by controlling the northern approaches, has been increasingly at odds with the operational reality. Inevitability, when push comes to shove, our formally declared strategy is ignored by governments of both political persuasions in favour of acting in Australia’s security interests — as we have seen with Somalia, Afghanistan and Iraq. The formal strategy is at odds with the concept of being an active middle power with a significant long-term stake in the current global order.

As a middle ranking entrepreneurial market-state, a highly nuanced approach to providing collective goods, particularly those relating to military missions, is required. As the leadership of a market-state, the Australian Government has an imperative to minimise the risk of casualties to its own troops and innocent civilians caught up in a conflict. The increasingly adverse public reaction to Australian military involvement in Afghanistan as

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174 Defending Australia in the Asia Pacific Century: Force 2030, pp.53-5.

175 Since federation, Defence has regularly participated in national emergencies but the tenor has changed. Defence has been tasked to ‘lean forward’ in times of domestic emergencies. It has assigned responsibility to its regional commanders to be much more proactive in establishing relationships with local authorities and emergency services as well as formulating generic disaster contingency plans. The author saw this change in approach during his time as commander of the Victorian Reserve Brigade that was the basis of the ADF taskforce raised and assigned to aid the Victorian government during the 2009 bushfire crisis.
reflected in opinion polls is salutatory. In the main, this will mean appropriately sized contributions compromised of niche capabilities to appropriately sanctioned campaigns. Australia will continue to minimise the exposure of the ADF to medium and high intensity close combat.\textsuperscript{176}

In each of its regions, Australia should continue to seek influence by producing its own collective goods. To a degree, it is already doing this. Current examples include the stabilisation missions in the Solomon Islands and East Timor; assistance to Indonesia in its march towards becoming a market-state of consent and; major contributions to regional humanitarian assistance missions.\textsuperscript{177} I posit that the effort Australia devotes to the ANZUS alliance also qualifies as it helps maintain American engagement within the southern reaches of East Asia, fostering regional stability.

Australia's relationship with the East Asian region could become problematic, particularly the Northeast, which is likely to be dominated by mercantilist states. However, Australia has the considerable advantage of being able to supply, reliably and at reasonable cost, natural resources to the Asian states' voracious manufacturing sectors. The critical regional player is China, whose global ambitions represent a direct challenge to American dominance in East Asia and the broader Asia-Pacific. China's development of increasingly sophisticated maritime capabilities shows no sign of abating and its aggressive exploitation of cyberspace, regularly targeting American and Australian government agencies, is likely to continue.\textsuperscript{178}

Australia, by virtue of the ANZUS alliance, will seemingly find it difficult to avoid entanglement in any future military conflict between China and the United States. As an entrepreneurial market-state Australia will have some room to manoeuvre and certainly it will attempt to dissuade its major trade partner and premier ally from engaging in conflict.

\textsuperscript{176} The government is willing for the ADF to contribute Special Forces to operations in which close combat is likely as the likelihood of significant casualties is low. It is considerably higher with conventional forces in medium and high intensity operations. Consequently, Australia has assiduously avoided committing conventional combat troops to dangerous operations within the Iraq and Afghanistan campaigns.

\textsuperscript{177} I refer here to the security threats associated with the 'balkanization' of the Indonesian archipelago.

Ultimately in the event of a major conflict it will have to choose sides, and it is almost inconceivable that it would not support America against a mercantilist China. Thus, the ADF must plan to play a significant role in potentially very hazardous circumstances. Shaping Australia’s participation in order to minimise casualties will be enormously challenging for the government.

Japan and South Korea, while definitely evolving along mercantilist lines, are states of consent and are likely to continue to rely on American collective goods for their ultimate security guarantee (given the rise of China) for some considerable time. Collective goods in this case being America’s military forces based within their territories, its extended nuclear umbrella and ballistic missile defence system. They serve to mitigate the threats posed by both North Korea and China ultimately underpinning regional stability. These threats have affected the relationship between Japan and Australia, which has ‘normalised’ to a degree. It has broadened to include a formal security dimension, the ‘Australia-Japan Joint Declaration on Security Cooperation’ (JDSC), signed in March 2007.\footnote[179]{Japan Country Brief, Department of Foreign Affairs and Trade Website, http://www.dfat.gov.au/geo/japan/japan_brief.html. [Accessed 4 July 2011]} South Korea’s security focus is likely to remain fixed on North Korea and China. Australia’s relationship with Korea too, has acquired a security dimension. ‘The Joint Statement on Enhanced Global and Security Cooperation between Australia and the Republic of Korea’ was signed on 5 March 2009.\footnote[180]{Republic of Korea Country Brief”, Department of Foreign Affairs and Trade Website, http://www.dfat.gov.au/geo/rok/brief_index.html. [Accessed 4 July 2011]} The ADF could reasonably expect to contribute to any future war on the Korean Peninsula.

Southeast Asia is much less likely to provide state-based security challenges for Australia in the near future. The ADF remains vastly more capable of projecting power than any other defence force in the region, and should remain so for a generation at least given the capability acquisitions planned for the next 20 years.\footnote[181]{Andrew Davies, ‘The Defence White Papers Force 2030’, in Special Report: Australian Defence Policy Assessment 2010, Australian Strategic Policy Institute, Canberra, 2010, p. 12.} However, the sense of ‘otherness’ with which post-modern Australia is regarded by those member states is likely to continue. It is hard to imagine Australia being invited to join ASEAN. Likewise, it would find it difficult to accept its nation-state notions of opaque sovereignty. Nonetheless, Australia can ameliorate this situation by proffering collective goods such as assistance to regional states in mitigating the
threats posed by Islamist terrorism, piracy and transnational crime. Australia’s civil agencies will usually lead any contribution but it quite likely that the ADF will be required to assist in the areas of counter-terrorism, interdiction at sea and perhaps pre-emptive missions against terrorist groups.

The relationship with Indonesia will remain the key to successful relations with the region. Australia’s engagement with Southeast Asia’s natural leader has a strong market-state flavour—it fosters the archipelagic state’s progress to a state of consent. The border protection role and the stabilisation mission in East Timor remain the most visible ADF interaction with Indonesia and are perhaps symbolic of the ongoing fractiousness of the broader relationship. Less visible but nonetheless highly significant, is the ADF’s role in helping professionalise Indonesia’s armed forces and improve its military counter-terrorism capabilities.\(^{182}\)

The Indian Ocean region while regularly neglected by Australian policy makers is important to Australia’s future security. Other than the Middle East, the major security issue is India’s rise. It is the region’s major power both economically and militarily; and like China, it is seeking a more significant role in global affairs. India’s essentially pluralistic society, consensual parliamentary governance, burgeoning economy and rapidly developing information sector mean that it too is evolving into a market-state. It too is growing its military maritime capabilities though not on the same scale as China.\(^{183}\)

In the eastern reaches of the region, Indian and Chinese strategic interests overlap including the economic and security relationships with ASEAN and relations with Pakistan. Increased investment by Australia in its relationship with India makes considerable strategic sense, and in recent years, there have been some significant developments. The most obvious, the ‘India-Australia Joint Declaration on Security Cooperation’ is a non-binding market-state document encompassing a broad range of security threats and focusing on cooperative efforts.\(^{184}\)


\(^{183}\) See Chapter 3 — sections on China and India. In sum, both states, despite ongoing modernisation programs, have limited ability to project significant military power.

The growing relationship between the United States and India also needs to be factored into the Australian strategic calculation. From both an American and Australian perspective, democratic India is a natural counterweight to China’s rise. The role for the ADF in bolstering the security facet of the relationship could include increased military to military engagement, exercising, intelligence exchange on a range of security issues not least Islamist terrorism, China’s rise, WMD proliferation, cyber security and piracy.

**ADF Force Structure**

A key part of Australia’s approach to the changing security environment has been to increase the ADF’s strategic weight and power projection capabilities.\(^{185}\) Australia has traditionally sought a technological edge over states within its regions. No doubt there are nation-state notions of deterrence and retaliation underpinning this aspiration. This increase in strategic weight has been achieved to a degree and will be enhanced through future acquisitions of power projection assets such as submarines, AWDs, amphibious landing ships, super-Hornets, the Joint Strike Fighter as well as airborne re-fuelling and command and control aircraft. Likewise, there has also been enhancement of the land component of the ADF’s maritime capabilities; in recent years the Army has grown by two infantry battalions, a commando regiment, and it has gained numerous battlefield enablers including automated command and control systems, and more improved ISR assets such as UAV’s and additional mobility assets.

The above developments appear at odds with the geographic determinism of the 2009 White Paper. To be sure, submarines, major surface combatants and air combat aircraft enable the ADF to defend forward into the northern approaches, but the capabilities currently being developed, and those earmarked for acquisition in the White Paper appear well in excess to this requirement. Clearly, the ability to contribute to military operations anywhere around the globe has been identified as key to furthering Australia’s strategic interests.

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\(^{185}\) By strategic weight I mean the collective combat power of the ADF – its ability to field major capabilities – surface combatants, submarines, cruise missiles, combat aircraft, strategic lift, special forces, the ability of the Army to field mechanised and motorised combat teams. These are enhanced by an increasingly sophisticated ability to network and thus share intelligence, and by flatter, more automated command and control systems.
So then how should the ADF be configured to meet the challenges of the market-state era? Is the government's continued investment in capabilities based on current technology logical? These are, by and large, focused on state-on-state conflict, and will inevitably mean purchasing relatively few, large and expensive platforms. In other words, should the ADF continue to have as its primary focus the ability to fight conventional conflicts against other states, or is a new approach needed? For example, should the ADF acquire larger quantities of smaller platforms such as missile boats, UAVs and cruise missiles? Should mechanised and motorised brigades be disbanded in favour of small, highly mobile combined arms teams that are networked and enabled by access to an array of long-range, very smart munitions? I believe the answer is in the affirmative but these are difficult questions for inherently conservative organisations like defence forces with which to grapple. However, what is at stake is the ADF’s ability to prosecute the type of war that will be dominate in the market-state era — not necessarily those conflicts it would like to fight. As I discussed in the swarming case study, the ADF should give serious consideration to this new way of war — both in the acquisition of new capability platforms and evolving its force structure.

As I have demonstrated, the wars of the future are most likely to be messy, difficult conflicts like those the ADF has experienced in Iraq, Afghanistan, East Timor and the Solomon Islands. It is most unlikely that the ADF will participate in the highly stylised conventional battles anticipated on the northern European plains during the Cold War. The challenge will be not to execute elegant enveloping manoeuvres, but rather it will be to locate those insurgent enemies hiding within indigenous populations. The key to success will not be large-scale fire and manoeuvre but locating an insurgent enemy by building networks between a coalition of friendly forces and local peoples. The physical destruction of the enemy will be less important than providing security to indigenous peoples.186

Conclusion

Australia is evolving into a middle ranking market-state with entrepreneurial characteristics. It has commenced selling collective goods to gain influence within the international system. Australia also contributes to those American collective goods designed to maintain its

position of global leadership. This includes participation in American-led coalitions designed to ameliorate threats to a consensual world order, ranging from international terrorism, the proliferation of WMD, and natural disasters. However, Australia’s formally declared strategy, as articulated in the 2009 Defence White Paper, remains in thrall to an increasingly irrelevant geographic determinism. It is as if the federal government is unable to let go of the nation-state paradigm in favour of the market-state strategic realities.

The threats of the new era dictate that Australia’s security strategy should be cast in terms of preclusion, vulnerability and resilience. This requires a whole of government approach to security, which the government understands and is attempting to implement. The ADF, of course, will continue to play a major role securing the Australian state. It will contribute to societal resilience, particularly in relation to cyber threats, natural disasters and managing the aftermath of major terrorist attacks including potentially those involving the use of WMDs. It will contribute to global security missions whose aim is to preclude future adverse security outcomes and it will contribute to Australia’s provision of collective goods. It must be capable of participating in a broad range of conflicts ranging from conventional war between great powers to security missions in weak or failed states to pre-emption or mitigation of the effects of terrorist attacks to HADR operations either domestically or abroad.

A lack of synchronisation is also apparent between Australia’s official defence policy and its traditional grand strategic approach. As I have demonstrated, alignment with the primary maritime power of the day and defending one’s national interests well forward makes perfect sense in an era of globalised security. In all likelihood, Australia’s alliance with the United States will remain relevant for several decades at least, given the evolution of mercantilist market-states throughout East Asia. America’s willingness to sell the high technology military hardware required to meet future exigencies, share intelligence and train with the ADF cannot be underestimated in its total worth. Australia as junior partner in the alliance will have to work hard to remain relevant to an entrepreneurial market-state America on one hand but on the other, it will more room to manoeuvre in difficult strategic circumstances.

In terms of selling military-based collective goods in exchange for influence within the international order, the ADF has a proven ability to contribute high value niche capabilities to global security missions, HADR operations as well as lead regional stabilisation missions. In addition, the ADF has a demonstrated capacity to provide excellent military training in a
wide range of areas, including professional development, military trades, and counter-terrorism.

The non-state adversaries against which the ADF is currently engaged, and those it will encounter in the future, are networks using swarming operational and tactical modalities. Some major states, most notably Iran, Russia and China, also appear to be adopting this approach as an asymmetric strategy to mitigate the West’s dominance in conventional warfare. As I have demonstrated, swarming is a logical progression, a market-state response to increasingly long range, precise and lethal firepower.

I have demonstrated that Australia should embrace a global strategic approach that accommodates its limitations as a middle power and strategic reality — its liminal status in East Asia, its responsibilities as a close American ally, the ambivalence of its relationship with China, its self-imposed responsibilities to the weak, and in some cases, failing states of the South Pacific. In terms of assigning priorities, it is a nonsense to suggest that the Solomons or East Timor are of higher strategic importance than China’s rise or Middle Eastern stability, as stated within the White Paper.
Chapter 6  
Conclusion  

Strategic Uncertainty  

I have demonstrated the key aspect of my central argument, Philip Bobbitt’s proposition that the nation-state, that prevailed for most of the last century, is evolving into a new entity — the market-state. This process has been responsible for generating the uncertain security environment of the post-Cold War world. Australia, like the United States, Japan, China and India are acquiring many of the characteristics of Bobbitt’s so-called market-state. The fundamental compact that the market-state has with its citizens is markedly different to that of its predecessor and requires it to have a new strategic approach.

Australian defence policy makers continue to grapple with the current security environment. This is manifest in the ongoing debate between so-called ‘regionalists’, those who support a strategic approach based on defence of the continent, and ‘transnationalists’ who support a global approach to Australian security. The debate is acknowledged in the 2009 Defence White Paper, which unsuccessfully tries to have a ‘bet each way’. The result is dissonance in Australia’s defence policy. In other words, there is a disconnect between stated strategy and operational reality, which sees the ADF regularly undertake global security missions. My prescription to remedy the above situation is for basing Australian defence policy on market-state strategic principles.

Methodology  

I have used a combination of case study and, what I have termed, theoretical critique as the basis of the thesis’s methodology. It was selected this approach due to the novel nature of the subject matter. As I noted, earlier Bobbitt’s theory of state evolution and its impact on the international environment does not fit neatly into any of the major international relations schools and as such, there is a dearth of academic critique. Despite the relative lack of academic recognition, his ideas have struck a chord with global political and military leaders and therefore is worthy of serious study.

I elected to use case study methodology to identify examples of state behaviours in relation to security problems and discern strategic approaches not satisfactorily explained by realist and
liberal international relations theory. I then proved the veracity and utility of Bobbitt’s theory of state evolution, in relation to the nation-state’s transformation into the market-state. The use of a theoretical critique, comparing key tenets of realist and liberal theory with Bobbitt’s primary propositions, enabled me to find common ground and major differences. In addition, this approach enabled assessment of the established international relations and Bobbitt’s theories respective abilities to explain system level security phenomena and state reactions to them.

Bobbitt identifies and discusses the elements of an entrepreneurial American market-state strategic approach, which is essentially the exchange of collective goods for global leadership.\(^1\) In my Australian case study, I translated this into the Australian strategic context. Given that the United States is a superpower with global responsibilities and aspirations of international leadership, it trades major (and expensive) collective goods such as extended nuclear deterrence for its allies and forward basing of its troops to foster regional stability. I placed this concept within an Australian middle power context. I showed Australia’s comparatively modest middle power strategic ambitions translate into two main courses of action. Firstly, Australia can supplement American collective goods. Secondly, it can act independently of the United States. In this case, its collective goods are usually relatively modest and generally focused on gaining influence within its regions.\(^2\) I then used this conceptualisation to assess possible future Australian collective goods in which the ADF would play a role. The American-Australian alliance could be framed within this context. By supplementing American collective goods when they are strategically relevant, Australia could gain and maintain significant influence over American security policy.

As noted above, I identified the key characteristics of each constitutional form of the market-state and then assessed the key states within Australia’s regions. This development of a regional state genealogy is strategically important for two reasons. Firstly, Bobbitt asserts that the constitutional difference of each form could become as profound as that that existed

\(^1\) Bobbitt, *Shield of Achilles*, p. 906. These are things of benefit to the society of states, such as mutual security, and leadership in the amelioration of international security issues and in the establishment and maintenance of regimes to foster environmental and economic stability. The United States provides these and other services to other states in exchange for international leadership.

between parliamentary, communist and fascist states of the last century; and secondly, I demonstrated that Australia’s evolution into the entrepreneurial form would exacerbate its outsider or ‘liminal’ status in East Asia. I established that East Asia is likely to be dominated by mercantile states, China, Japan, South Korea, Singapore and Vietnam, and outlined the strategic consequences for Australia.

Liberalism, Realism, Regionalism, Transnationalism and Market-States

In Chapter 2, ‘Market-State Theory and Australian Security’, I have demonstrated, using realist and liberal critiques, the veracity of Bobbitt’s market-state conceptualisations. The critiques show that the intellectual underpinning of Bobbitt’s theories include a number of key liberal and realist elements, but also highlight important differences. Bobbitt agrees with the realism’s statist approach, being the state remains the key referent in the international order. He also sees the international environment as essentially anarchic in nature. Unlike realists, he sees the state as dynamic, that is, capable of structural change. He describes an evolutionary process, based on epochal war, which results in strategic and constitutional changes to the state. Bobbitt uses history to demonstrate this process of state transformation, providing a temporal depth generally missing in realist and liberal theory.  

Bobbitt concurs with some aspects of liberal institutionalism. He suggests that institutions do moderate state behaviour as well as provide a focus for multilateral cooperation. However, institutions like states must evolve to remain relevant in the prevailing international order. Institutions like the United Nations, NATO and ASEAN — nation-state constructs — must restructure and change their modus operandi to accommodate the market-state or be rendered irrelevant. Likewise, he concurs with the liberal proposition of increasing state interdependence. He argues that states are cooperating more deeply across an increasing range of endeavours including security, economics, promotion of human rights, and preservation of the environment. He is sharply at odds with liberal assertions that the forces of globalisation are causing a diminution in the state’s power, eroding its lead role in the international system. Bobbitt argues that the state has never been more wealthy and powerful. I posit that the state’s position of global dominance was brought into stark relief by the global financial crisis. The states’ cooperative efforts shored up the financial system and prevented

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the global economy from plummeting into depression. Only states had the will and the resources to free up capital markets, meaningfully underwrite the banks and pump liquidity into domestic economies in order to encourage consumer spending.

Also in Chapter 2, I have described the debate between regionalism and transnationalism; and how the former echoes the geographic determinism that has plagued Australian strategic thought for so much of its white history. I have shown that regionalism is fatally flawed and at odds with Australia’s operational reality. On the other hand, transnationalism is largely in harmony with a market-state strategic approach. A globalised approach to security makes sense for an outward focused Australian market-state, dependant on access to an open world market and vulnerable to the broad array of security threats that have developed since the end of the Cold War.

I have also demonstrated that Australia’s grand strategy, underpinned by its alliance with the world’s premier maritime power, will need to evolve to remain relevant to the likely exigencies of a market-state international order. Australia has much to gain by remaining strategically useful to the United States. The ADF’s ability to defend Australia’s strategic interests is and will continue to be enhanced by its access to American intelligence, technically advanced military equipment and opportunities to train with America’s defence forces. In addition, the alliance creates significant doubt in the mind of a future protagonist, that is, in relation to possible American reactions in the event of an attack against Australian interests. In return, Australia can make meaningful contributions to American efforts to combat the spread of terror and bolster the zone of consent, particularly in its nearer regions.\footnote{Southeast Asia and the South Pacific which reflect Australia’s reach as a middle power.} However, Australia will have to be attuned to the capricious ways of an American entrepreneurial market-state; and continue to be prepared to pay a premium, by supporting key American global security campaigns.

I have argued that Australia, like the United States and United Kingdom, is evolving into a market-state and is acquiring many of the characteristics of what Bobbitt describes as the ‘entrepreneurial’ form. Entrepreneurial market-states can be characterised as libertarian — they tend to favour the individual over the collective. Their governments favour deregulation and privatisation, and have policies of reducing taxation, lowering welfare benefits, and
reasonably relaxed immigration laws. Entrepreneurial market-states that are major powers, such as the United States, will also seek to dominate the international order by producing collective goods desired by other states in exchange for global leadership. The United States, for example, provides extended nuclear deterrence, maritime forces to underwrite the freedom of the seas, and favoured access to its massive domestic markets in exchange for leadership of the international system.

Australia obviously cannot operate on anywhere the same scale. Its ambitions need to be more circumspect; more becoming of a middle power. There are broad benefits for Australia in assisting the United States provide collective goods such as the military mission in Afghanistan, and the recent humanitarian assistance and disaster relief operations in Haiti and Pakistan. These enhance global security and bolster the zone of consent. In other words, to bolster the conditions in which Australia can trade safely and not be forced to expend excessive national resources on defence. Australia can also contribute to global security through the provision of collective goods on a smaller scale closer to home, that is, Southeast Asia and the South Pacific. Indeed, it is currently doing so through its highly targeted aid to Indonesia; stabilisation missions in East Timor and the Solomon Islands; and ongoing support to humanitarian assistance, disaster relief operations throughout the above regions.

**Threats to Australian Security**

In Chapter 3, ‘The Australian threat environment’, I have demonstrated that the prevailing strategic uncertainty that characterises the international environment is caused by the evolution of the nation-state into the market-state. Bobbitt’s theory of state evolution is based on the effects caused by what he calls ‘epochal war’. Epochal wars challenge and ultimately force change to the basic constitutional structure of the state. He describes strategy as the outer face of a state and its constitution as its inner one; and the relationship between the two is symbiotic — a major development in one forces change in the other.  

The market–state is a constitutional adaptation to end of the Long War, the epochal war of the nation-state era, and the revolutions in computing, telecommunications and weapons of

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mass destruction that ended the war. The inability of the nation-state to protect its citizens from nuclear and other weapons of mass destruction; accommodate the growing ‘porousness’ of its borders and; control the international financial markets have weakened it. In addition, new notions of ‘transparent’ sovereignty, that is, growing executive accountability is gaining momentum in the international environment, challenging the ‘opaque’ conceptualisations of nation-state sovereignty. Expectations of transparent sovereignty, which is characteristic of market-states, are causing a greater propensity for states of consent to intervene in the affairs of other states to prevent the spread of terror by halting genocide, ethnic cleansing, famine, disease and internecine conflict. This does not imply endless military campaigning by states of consent but it does mean market-states, usually in ad hoc coalitions, taking preventative action well before a major security threat develops.

In Chapter 4, Case Studies, I have discussed the evolution of war since the end of the Cold War, arguing that due to western domination of conventional warfare, most of its existing and potential adversaries are using or are adopting asymmetric strategies. Most conflicts within the last two decades have been unconventional in nature, usually insurgencies between state and sub-state, and state and non-state actors. Al Qaeda and its allies used a blend of time honoured operational and tactical insurgent methodologies to wage war against western forces in Iraq and Afghanistan. However, al Qaeda has complicated the security equation by overlaying something new: a transnational terrorist campaign. I have demonstrated that Al Qaeda, the first of the market-state terrorist organisations is significantly different to its nation-state predecessors by virtue of its global ambitions and transnational reach. It is no longer reliant on state sponsorship. Al Qaeda has adopted market-state techniques such as decentralisation, franchising and like market-state armed forces, is willing to out-source elements of its military operations. It uses information age technology to recruit, train, fundraise as well as plan and conduct operations. The conflict against al Qaeda is likely to be long and drawn out. While the core leadership remains contained and incapable of trans-continental operations of the magnitude of September 11, the fight continues through its franchises and affiliates in Afghanistan, Iraq, Somalia, Yemen, Saudi Arabia and Indonesia.

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The majority of wars and conflicts of the market-state era will be protracted and complex. As I have discussed, market-states of consent will not seek decisive victories, rather they will aim to improve the security of civilians targeted by terrorists and insurgents. Rather than seeking a decisive defeat on their enemies, market-state armed forces will seek to provide security conditions in which some form of consensual governance can evolve. This is far less ambitious than the inclusive political goals pursued by parliamentary nation-states during the Long War. It follows that a redefinition of what constitutes victory in the market-state era is required.\(^9\) Market-state leaders and their people need to understand that, in effect, ultimate victory in the new era will be not being defeated, that is, by precluding future September 11s.

The challenge will be achieving this without surrendering too many precious civil liberties and effectively becoming new states of terror. It means having functioning critical infrastructure despite the predations of non-state actors and hostile states. It requires states of consent adopting strategies based on the concepts of preclusion, vulnerability and resilience. A preclusive strategic approach will require high quality and timely intelligence; and a willingness by political leaders to take decisive action based on imprecise information. It will regularly involve contemplating pre-emptive military strikes and occasionally, preventative wars. These are unpopular concepts, to be sure, but inevitable if diplomacy, bribes, sanctions and cyber campaigns etc are unsuccessful or time does not permit.

In Chapter 2, ‘Market-State Theory and Australian Security’ and Chapter 3, ‘The Australian Threat Environment’, I have argued that conflict between states, largely quiescent since the end of the Cold War, has not been rendered redundant. I discussed the long-term prospects of conflict between market-states and nation-states and between different constitutional forms of market-states. The three general forms; mercantilist, managerial and entrepreneurial, could come to represent differences in the organising mode of the state as profound as democracy, fascism and communism proved to be during the Long War. The prospects for a new epochal war between market-state major powers are real, and potentially highly consequential for an Australian entrepreneurial state in a region likely to be dominated by the mercantile form.

\(^9\) Bobbitt, *Terror and Consent*, p. 195. Bobbitt argues that the successful nation-states during the Long War sought national liberation for France, Italy and other countries insofar as they could be included within the ideological camp of the United States and Britain. Germany, Japan and Italy were comprehensively defeated and incorporated within the victors' economic and security systems. He describes this as 'inclusive victory'. Market-states, on the other hand, will secure victory when they have maximised the freedom of each citizen to achieve their own preferred world.
I have outlined the forms that future conflict might comprise, noting that conventional military warfare is evolving away from an industrial mode to one that is increasingly information based. In all likelihood, major security problems will invoke responses comprising varying combinations of military, diplomatic, economic and cyber manoeuvres, usually in cooperation with coalitions of other states. The future holds the prospect for exotic news forms of war based on nano-technology and genetically engineered pathogens. Likewise, chemical, biological and nuclear weapons are likely to proliferate horizontally, although their use is more likely to be by non-state rather than state actors. Al Qaeda’s ambitions in this regard are well known.

Australian Threat Environment

I have demonstrated in Chapter 3, that Australia’s threat environment is complex requiring a strategy based on protecting its interests rather than defending the shoreline. As seen in the rhetoric of the 2009 Defence White Paper, Australia is yet to throw off the yoke of geographic determinism, at least rhetorically, in its officially stated defence policy. Despite its global operational reality, the ADF is encumbered with a strategy that envisages its primary task as the defence of the Australian continent and offshore territories against conventional attacks from other states. It is telling that the ADF does not have a formal contingency plan for this eventuality.\textsuperscript{10} I have analysed this strategic approach at length, showing its growing irrelevancy. My key argument being the extreme difficulty for another state to mount physically an invasion of the Australian mainland and offshore territories, coupled with a lack of appropriate capability within East Asia (including China). In addition, there is the protection offered by the ANZUS alliance as well as the deterrence value of Australia’s own increasingly formidable capabilities. Operationally, the ADF does have a global purview and continues to acquire equipment, develop doctrine and undertake organisational changes designed to improve its ability to project power and enhance its expeditionary capabilities. The 2009 White Paper acknowledges this and mainly attempts to reconcile this with its stated strategy.

In terms of current threats, transnational terrorism remains a major security issue. Certainly, it continues to be used by both major political parties to justify Australia’s continued

\textsuperscript{10} Author’s professional knowledge as a senior ADF military officer.
commitment to coalition efforts in Afghanistan. Australia also faces a substantial regional terrorism threat, based primarily on Indonesian based Islamist groups as well as a modest domestic one. Other current and potential non-state threats to Australian security include WMD proliferation, transnational crime, illegal migration, environmental degradation, resource shortages, and pandemics. I have argued that these require a new, that is, a market-state approach to security. To be sure, state-based threats have not disappeared and should remain central to any Australian security calculations. The nature of these threats, too, are expanding and evolving. For example, cyberspace is a topical example of a new and growing area of conflict between states. I have described in detail the potential threat to Australian security posed by China and, to a lesser degree, Russia in this increasingly hostile domain.

Regions still matter particularly for a middle power like Australia. The Asia-Pacific is perhaps the most dynamic region in the world and has relatively minimal security architecture. It is a place where the strategic interests of four of the most powerful states in the world intersect. The potential flashpoints; the Korean Peninsula, Taiwan and the South China Sea could conceivably see the United States, Japan and China engage in hostilities in the relative short term. The consequences for Australia would be very serious given the importance of the strategic relationship with America and the economic relationship with China.

I have argued that Australia’s liminal status in East Asia is likely to remain unchanged, particularly given the strong prospect of its evolution into something approaching Bobbitt’s entrepreneurial market-state, and the likelihood that many of the region’s major powers, including China, South Korea and Japan are likely to become mercantile states. It follows that the American alliance is likely to retain its relevance for many decades to come. However, given that America too is evolving into an entrepreneurial state, the challenge of maintaining the alliance’s relevancy is likely to prove challenging, given the propensity of this form of market-state’s preference for flexible, low cost ad hoc coalitions of the willing. In Australia’s favour is the fact that bilateral alliances are demonstrably more adaptable to the new threat environment than multilateral ones. Clearly, ANZUS and Anglo-America ‘special relationship’ have been vastly more effective than the unwieldy NATO alliance in both Iraq and Afghanistan.
Indonesia remains a key to Australian security. I have described the fractiousness of the relationship and the level of effort that Australia continues to invest. As I have shown, Australia’s foreign policy approach has many features of a preclusive market-state strategy. Its effective aim is fostering its evolution into a market-state of consent and preventing of futures in which Indonesia either becomes a state of terror or ‘balkanises’, providing an environment in which terrorist groups can flourish. I have argued that the evolution of Indonesia into a secular, parliamentary state of consent is a key to mitigating the broader jihadist threat. In addition, Indonesia is the natural regional leader and therefore, for Australia, the gateway to Southeast Asia and, arguably, the wider East Asian region.\textsuperscript{11}

I have identified the rise of China as being one of the major security issues confronting the global society of states over the next several decades. In recent times, the Peoples’ Republic has become much more assertive in its dealings with other states. I posit that it is evolving into what Paul Monk has described as an ‘authoritarian mercantilist market-state state’.\textsuperscript{12} Its opaque notions of sovereignty, the virtual integration of economic and political leaders, the lack of clarity in relation to its defence policy and its increasingly bellicose behaviour with its smaller neighbours, as well as foreign corporations doing business with it are indicative of this evolution. Other worrying trends include its aggressive behaviour in relation to territorial disputes in the South China Sea, its willingness to hold other states to ransom over the supply of rare earth metals, and its relentless cyber exploitation operations against America and other developed states, including Australia.\textsuperscript{13}

Australia’s economic well-being will continue to depend heavily on its export of coal, iron ore and other natural resources to China. In 2010, it became Australia’s number one trading partner. A future military confrontation between China and the United States would be economically catastrophic for Australia, as it would be compelled under ANZUS to commit the ADF. The impact on trade is obvious. If a future Australian government refused a request from the Americans to contribute to a military campaign against China, ANZUS — the bedrock of Australia’s military security since the Second World War — would in likelihood

\textsuperscript{11} Mackie, \textit{Australia and Indonesia}, pp. 10-12.

\textsuperscript{12} Monk, ‘Chinalco And The Party: Go Figure’.

\textsuperscript{13} In 2010 China flexed its considerable muscle as a leading supplier of rare earth elements cutting exports to the rest of the world. The intent was clear in relation to those states prepared to cross it. I would argue that its behaviour in the South China Sea throughout 2010 has verged on bellicose.
be annulled. A war between China and the United States is an Australian foreign policy nightmare.

Russia’s resurgence, at face value, is less of a security issue for Australia given that its focus is consolidation of its near abroad. It wants to thwart the relentless westward march of NATO that has occurred since the demise of the Soviet Union. Any conflict between the United States and Russia potentially could indirectly affect Australia but it is unlikely that an Australian government would commit the ADF unless the conflict spilled over into the Asia-Pacific where ANZUS could conceivably come into play. However, in the shorter term, Australia’s main concern is Russia’s status as a supplier of advanced and relatively inexpensive military technology to East Asian states that could significantly alter the strategic landscape within East Asia. It could severely undercut the technological edge Australia has enjoyed over regional states for many decades. In the longer term, it is conceivable that an authoritarian Russia could side with China in a future conflict against consensual market-states.

I have noted the growing importance of India to Australia. It, like China, has a burgeoning economy offering considerable commercial opportunity for Australia. India dominates the Indian Ocean region and, like China, puts considerable effort into developing its maritime capabilities. The world’s largest democracy has many internal challenges, including insurgencies, widespread poverty, and environmental degradation, but has proven remarkably resilient. Its external security challenges include transnational terrorism, Pakistan, and of course the machinations of China. India appears to be evolving into a market-state of consent but is unclear what form it will favour. Potentially it could become either a managerial or an entrepreneurial state. I posit, that due to its growing predilection for free market economics, robust parliamentary politics, federal structure and ethnic diversity it will favour the latter.

From an Australian perspective, there is an obvious security convergence in relation to transnational terrorism and the rise of mercantilist China. India’s continued economic development offers huge potential for Australian primary producers and could become an important hedge against the consequences of Australian military participation in a conflict between the United States and China. A major impediment to broadening ties is Australian

unwillingness to sell it uranium because of its non-participation in the Non-proliferation Treaty (NPT). There is a certain irony here in that Australia is willing to sell uranium to China, which is an NPT signatory.

Australia’s role in the South Pacific is effectively as a benign regional hegemon. Since September 11, it has undertaken, what is in effect, preclusive action to bolster regional stability. In the aftermath of September 11, the Howard Government perceived in the region a propensity for internecine conflict and a consequent breakdown in governance and civil society. It was feared it could provide a fertile environment in which international crime and terrorism could draw succour.\(^{15}\) The small states that comprise the region are, in the main, barely viable microstates poorly governed, with underdeveloped economies and fragile civil society. Australia’s strategic objective is preventing the break down of civil society, as typified by the ongoing problems in Papua New Guinea and the Solomon Islands. It is difficult to imagine the public of an Australian market-state accepting growing terror in the region, that is, large-scale internecine conflict in which the security of innocent civilians is threatened the region. It is likely that Australia will continue to play this role for the near future.

**Case Studies**

In Chapter 4, the case studies I have selected, demonstrate the plausibility of many of Bobbitt’s ‘big ideas’. They describe the future strategic approach of market-states as well as the operational approach of their armed forces. I have argued that the market-states, states of consent should have a primary strategic goal of maintaining the zone of consent and defeating the spread of terror. This includes undertaking a range of measures to bolster faltering or fragile states in their development of consensual governance. It also includes prosecuting preclusive global security missions against market-state terrorist organisations. At the macro level, I focused on the American-led war against al Qaeda, and Australia’s role in bolstering

of Indonesia’s development as Muslim state of consent. The latter demonstrated the nuanced, multi-faceted foreign policy required of a market-state to achieve preclusive outcomes. Australia’s Indonesian policy has multiple lines of operation attempting to generate positive effects in the security, economic, social, environmental and cultural spheres. The ADF has a relatively small but important role in helping building key capabilities as well as professionalising the Indonesian armed forces, making them more befitting a state of consent.

At the micro level, I examined what I have described as market-state operational art as well as a possible new way of war. In relation to the former, the campaign examined was Multi-national Force, Iraq’s ‘Battle of Basrah’ fought in March-April 2008. The key lessons for the ADF are: security of the indigenous population must be the centre of gravity in the ‘new wars’ of the market-state era; ‘kinetic’ operations should be subordinated to information ones; command structures must be flattened to resemble the network-like ones of the enemy; commanders must be able to rapidly and effectively transition from one form of operation to another; and, electronic media in all its manifestations is king. While the later is difficult to control, it must be shaped in order to achieve many of a campaign’s key aims. Swarming offers the prospect of operation and tactical success in market-state conflicts. As I suggest, it should be carefully assessed by the ADF.

The four case studies are indicative of the complexity of state security in the information age and show the nuanced approach market-state political leaders, their bureaucracies and armed forces will need to master to prevail in the information age.

**Australian Defence Policy**

In Chapter 5, I have made the case that since the intervention in East Timor in 1999, Australia has contributed military forces to a range of global and regional security missions, demonstrating the futility of a geographic deterministic strategic approach. Assigning priorities for ADF participation in security exigencies based on the distance they are from the Australian mainland makes little sense in a globalised security environment. As a maritime trading state, Australia is dependent on a stable world order for continuing economic prosperity. Therefore, its participation in efforts to mitigate threats to the continued ‘zone of

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16 Commanders must be capable of rapidly transitioning from high intensity hybrid counter-insurgency warfare to humanitarian assistance operations and low intensity policing.
consent'\textsuperscript{17} that range from transnational terrorism and natural disasters, to challenges to the world order by revisionist major powers to missile and WMD proliferation, no matter what their distance from Australia, is logical.

Australia’s defence policy should reflect its evolution into an entrepreneurial state. Australia should assist the United States in delivering global collective goods, on scale commensurate with its middle power status. This would help maintain its significant influence with the Americans and other key allies. In addition, Australia should continue produce its own collective goods to gain influence in its key regions.\textsuperscript{18} For the ADF this implies a well-developed expeditionary capability to participate in American-led global security missions as well as regional security missions — often in a leadership role.

In recent times, we have seen Australia show a willingness to think globally by making niche contributions beyond the Asia-Pacific and Indian Ocean regions. In addition to its ongoing contribution to Afghanistan, it has made small contributions to the recovery effort in Haiti in 2010; protecting merchant shipping from Somali pirates in the waters off the Horn of Africa; and restricting the spread of WMD technologies through membership of the American-led Proliferation Security Initiative.\textsuperscript{19}

The conflicts in Afghanistan and Iraq are demonstrative of the difficulty of the types of wars most likely in the market-state era. Australia, as a market-state of consent, clearly has a role when the international community or a key ally makes the decision to preclude a consequential global security exigency, such as the actions America has undertaken to ameliorate the threat posed by al Qaeda. The price is significant ADF participation in protracted messy insurgencies. The ADF, like other market-state armed forces, is responding

\textsuperscript{17} The zone of consent comprises a group of states of consent that can be roughly defined as the West, plus other parliamentary states such as India, Indonesia and Japan.

\textsuperscript{18} Bobbitt, The Shield of Achilles, pp. 309-10. Bobbitt describes collective goods as those things that the United States produces for the world in exchange for a position of primacy. These include: underwriting the security of potential rivals—Western Europe, China and Japan—who would have to convert their economic strength into military capability; universalising security architecture by which America acts with various regional actors against threats within their regions; and act as a regional pacifier. As long as America builds and leads coalitions to resolve regional and transnational security threats; implements anti-WMD and missile proliferation regimes; and organizes humanitarian assistance missions there will be broad demand for United States leadership.

to this by developing counter-insurgency doctrine, enhancing force protection measures and offloading non-economic activities to private contractors. This is very much a market-state phenomenon where economic efficiency and use of market mechanisms to deliver what were once government services have become de rigueur. Political leaders must shape their citizens’ expectations in these wars. Victory will seldom be clear-cut and military involvement will inevitably be long term.

I have demonstrated that Australia’s traditional grand strategy of relying upon the premier maritime power of the day to underwrite its national security is likely to prevail in the market-state era. Australia will continue to pay a premium for that protection by participating in American-led global security missions while minimising the number of troops committed and limiting their exposure to the worst of any fighting.

There are number of reasons for this prediction: both Australia and the United States are evolving along similar market-state lines and, as I have previously discussed, consequently there will remain a confluence of many of their economic and security interests. I have posited that eventually the East Asian region will be dominated by mercantile market-states, which in turn will reinforce Australia’s liminal status and reinforce the need for a strong relationship with similar states, especially the United States but also the United Kingdom and New Zealand. Both the United States and Australia have a major stake in the current configuration of the global economy and the growth of an international order based on rule-based, consensual governance.

In relation to security, both share a desire for American dominance of the Asia-Pacific. Like America, Australia does not want to see a power or coalition of powers dominate the Eurasian landmass.20 Within this context, they understand the potential threats to the East Asia and the broader Asia Pacific posed by an authoritarian, mercantilist China. In relation to the war against terror, both countries have suffered at the hands of militant Islam and understand the need for broad-based cooperative effort. They also comprehend the threat posed by WMD and missile technology proliferation and the consequent need to act globally.

In other words, the political leadership of both states realise, albeit without formally stating in Australia’s case, that security has become globalised.

The key to Australian success in the difficult conflicts of the market-state era will be to establish and maintain strong patterns of cooperation with other market-states of consent; understanding the nature of the both, the short and long-term security threats of the new era. This must lead to a re-imagining of victory and accepting that preclusion must be the cornerstone of our strategic approach, and this will come with a significant price tag. It will require much treasure and significant spilling of blood form market-states of consent to prevail against the considerable challenges of the new era.

ADF Equipment Acquisition and Force Structure

I noted in Chapter 5 that the ADF has grown considerably in strategic weight since the 1999 East Timor intervention. It is now well placed to conduct expeditionary warfare and therefore participate in global security missions. However, I have serious reservations regarding the current direction of ADF’s equipment acquisition and capability development programs. The ADF, like the United States, has a predilection for investment in tried and true military technologies. Inevitably, this results in the acquisition of decreasing numbers of expensive and increasingly vulnerable major platforms. It reflects, I posit, too narrow a focus on conventional warfare. In Australia’s case this is justified as preparation for the worse case threat scenario; the low probably but potentially catastrophic consequences of conventional military attack. While preparation for defence against state actors is prudent, in light of my assertions regarding the potential rise of mercantilist states within East Asia, Australia’s focus should be asymmetric warfare, against both state (including sub-state) and non-state actors.

Weak actors such as Hezbollah and the Taliban have demonstrated the effectiveness of an insurgent mode of warfare empowered by information age technologies against highly capable western armies. It is highly unlikely that current and future rising powers have not learnt these lessons and will seek to avoid confronting the West’s mastery of conventional warfare. Indeed, Russia and China have already demonstrated that they too are looking to
asymmetric operational methodologies to overcome western military superiority in conventional warfare.\textsuperscript{21}

I have argued in the Swarming case study that it (swarming), as described by John Arquilla, is the logical evolution of warfare in the market-state era. Long-range precision munitions and increased lethality of conventional munitions requires smaller unit size and greater dispersal. On the other hand, unprecedented levels of situational awareness coupled with enhanced interconnectivity facilitate effective synchronisation between dispersed force elements. Arquilla describes how ‘many and small’ overcomes ‘few and large’, that is, large numbers of small, highly manoeuvrable units connected via a sophisticated communications network, with access to lethal, long range precision firepower can defeat large, ponderous formations. He advocates an American investment in large quantities of small, very smart weapons systems such as UAVs and ground robots, while eventually phasing out most of the large, expensive and increasingly vulnerable weapon systems that have been the mainstay of industrial age armed forces since World War II. In addition, military command structure should become flatter, this is, less hierarchical, more net-like and therefore more agile.\textsuperscript{22}

In recent times, we have witnessed successful swarming by both state and non-state actors. The attacks by al Qaeda in the United States, Britain and Spain and Lashkar-e-Taiba in Mumbai demonstrate how small synchronised groups can cause havoc, achieving considerable tactical, operational and even strategic success against the most powerful of states. The military forces of states are starting to swarm too. Russia swarmed into Georgia in 2008: local pro-Russian militia groups and Russian patriotic hackers synchronised their efforts with regular Russian forces to overwhelm Georgian defensive efforts. The Americans have used swarming, albeit in a defensive mode, in Iraq from 2007. Small networked combat outposts of company size, approximately 100 persons, were spread throughout Baghdad. They successfully networked with local people in establishing an intelligence flow that illuminated insurgents in their midst.\textsuperscript{23}


\textsuperscript{22} Arquilla, ‘The New Rules of War’, pp 1-2. Arquilla advocates a gradual phasing out of service of platforms such as large aircraft carriers, B2 bombers and F22 Raptors and disbanding of large cumbersome army formations such as armoured and mechanised brigades. On the other hand, submarines should be retained for their stealthiness and ability to undertake multiple roles.

The ADF is acquiring technologies that will give its lower tactical level formations (companies and lower) unprecedented manoeuvrability, situational awareness and the ability to engage targets with precision at longer ranges. In addition, the ADF is traditionally well versed in small group operations training its junior leaders to operate with a fair degree of independence. It should now position itself to make the transition to swarming and look seriously at the acquisition of relatively large quantities of smaller, smart and/or remote controlled platforms such as UAVs, ground robots and robotic naval vessels.

Mechanised and motorised brigades should be effectively disbanded in favour of small highly mobile combined arms teams networked and enabled by access to an array of long-range sensors and smart munitions. Small, highly mobile units should be trained to operate in a highly dispersed mode either defensively or offensively, and in either conventional-like or insurgent warfare contexts. To be successful against the latter, it will need to continue to expand and enhance its intelligence gathering, linguistic and CIMIC capabilities so that it can build networks with the indigenous peoples for whom it will inevitably be seeking to provide secure circumstances.

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24 Arquilla, ‘The New Rules of War’, p. 4. Disbanding units in the military is a fraught process usually absorbing much emotional energy and invariably having a long term deleterious effect on morale. To mitigate this units could remain in name only and serve to facilitate administration with company size subunits effectively becoming the combat manoeuvre elements. This process has begun with Australia’s regular brigades. Typically, Australian brigades do not deploy on operations as a formation. Instead they provide units and sub-units which are formed into composite taskforces.

25 To fight against military forces of other states or sub-state actors such as Hezbollah who utilise a hybrid mode of warfighting, that is, a combination of conventional and insurgent tactics.
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