# 2024 Air and Space Power Conference
# Transcript – Middle Power Deterrence

**Mr Hugh Jeffrey**

**Deputy Secretary , Strategy, Policy, and Industry**

HUGH JEFFREY: G'day and thank you for spending the time to listen to me today. I think I am last speaker for the day so I will try to be quick. Thank you very much to the group captain for that introduction and the Chief of the Air Force for inviting me to speak to you all today on this very simple topic and, since yes, I was one of the strategic advisors to the International Security Assistance Force Commander and since that mission did go so well, you can really trust what I say. (LAUGHTER)

I am honoured to be speaking to you about this question. Middle power deterrence and how Australia approaches it - first I just wanted to consider context. For Defence members, they will be familiar with this framing but for those who haven't been assiduously reading Australian Defence strategic documents for the last few years, I wanted to briefly paraphrase those. We frame our strategic environment as deteriorating and we measure that by the fact that our assumptions have been disrupted over the last couple of decades. Technology as eroded the advantages afforded to us by geographic distance. That has been an assumption for the life of our country. The concept of warning time has lost any utility and the ADF is no longer a regionally superior force. That framing really only tells part of the story. Most of us today, many of us perhaps began our working lives at the end of the Cold War 34 years ago. I graduated from university in 1993 and I think this generation of officials and soldiers have been the inheritors both of the Cold War's peaceful conclusion and its optimistic assumptions that the great questions of politics had been answered, that strategic competition had ended, that the world was flat and that the theory of comparative advantage would be a rising tide that lifts all boats. Western states strategically demobilised, reducing, in particular, defence spending but especially defunding nonmilitary arms of strategic influence. That was all on the

assumption that the process of global liberalisation and economic integration would be irreversible and would inoculate us to great power conflict.

Three decades later, how do you think those assumptions have fared? I don't think they have fared particularly well and I don't think that demobilisation does not look particularly wise. Strategic competition didn't end. It just abated and now it is back with a vengeance. Power and ideology are contested once more and the western-led consensus around globalisation has given way to a much more shifting debate around how best to promote national prosperity in an age of growing security risk.

I think we are in this situation because the post-Cold War is over. It has come to an end and with it its strategic certainties, a new global order or a new equilibrium will emerge at some point but we are not there yet and there is a lot of ink being spilt by commentators trying to provide a geopolitical frame that attempts to define this period. The age of unpeace, the age of the strongman, the age of impunity - I prefer a more prosaic term. I think in place of the old order will simply be a struggle amongst states. As they vie to shape the contours of a new order to follow. That struggle won't be contained and it won't be quick. It will span hard and soft power domain, trade and economics, innovation and technology. The challenges that require global responses and solutions, such as pandemics, the green transition, irregular migration, to pick three, will be harder because they will be sifted through the prism of this struggle.

What does all this mean? I just think there are a few trends that I want to highlight before getting into the substance of the speech around deterrence. The first trend that I think will be obvious to us all is that this struggle will encourage risk-taking as much as risk-aversion. Evolutionary biologists tell us that when structure or order breaks down in the natural world, contingency and agency matter much more. It is the same in geopolitics, I think. Revisionist states they believe they now have a window of opportunity to decisively shift the international order in their favour. The advantage will follow to those willing to take bold, even aggressive action. How else can you explain a conflict like Ukraine? This war is not just an attempt by a big state to subjugate a smaller state. What many of us see as the terminal throes of the old Russian empire, I think Moscow sees an opportunity an attempt to recreate as much as the old

empire as possible so its say in any future global order will be much greater. I am deeply conscious of the arguments of those who say western outrage over Ukraine is selective and hypocritical. We need to remember this aggressor is a member of the UN Security Council, a permanent member, and is threatening to use nuclear weapons if it doesn't get its way. This risk is of a different order, it is a different category and it speaks to how the old order has a much more limited ability than it did to constrain dangerous aggressors.

Quickly, a couple of other trends. The struggle will drive a reinvestment in hard power. That is obvious to us all. The strategic demobilisation taken by the Cold War's victors will reverse and that will be reflected in defence spending. Overall military spending, industrial democracies will grow, significantly post-Ukraine. The lessons of that conflict is our treaties and alliances are only as good as the hard power we have to underpin them. In addition to fix platforms, you will see increasing demand for precision musicians, targeting systems and at risk supply chains, placing them under pressure. States will rethink the logic of inter-dependence, the single great idea that I think underpinned the post-Cold War consensus. An idea that integration will not only drive greater prosperity because states would focus on their areas of comparative advantage and outsource the rest but the resulting economic independence between states would deter conflict among them. This underpinned Europe's decision to make Russia central to Europe's energy supply chain and I think this informed broader decisions by industrial democracies to invest in China's manufacturing boom rather than protect against it.

This idea is in fundamental question now. I don't think it will lead to the reemergence of Cold War-style blocs but we will see a symmetric dependence. You keep trading but you make sure that others are more dependent on you than you are on them. States will sift through their supply chains for critical dependencies, deciding what they have to onshore or nearshore and states will reinvest in industrial policy, seeking to build industries at home, based on strategic and not just economic logic. You will see a rise in tariffs and other barriers to trade. States deciding to pursue green transition through subsidies rather than through pricing carbon.

The liberal in me says if China is willing to subsidise solar and battery

supply chains, we should take advantage of that to reduce the costs of our own green transition but states will fear that dependence will be weaponised against them and they therefore will invest in alternatives in this new world. Again, the divergence of economic and strategic logic is another feature of this struggle.

The fourth trend it an intensifying competition for technology and that will act as a global leveller, in many ways. The history of the Cold War in which the United States offsets Soviet advantage through vastly superior technology is unlikely to repeat itself, I think. The world is far too interconnected for entirely different technology ecosystems to emerge. Moreover, the pace of technology development and the dual use nature of many technologies and their low cost is fundamentally different from the major military technological innovations of the 20th century and this will lower barriers to entry and speed adoption. It is possible that in the struggle, no state develops a decisive technological advantage and the networks of states will emerge that seek to innovate and share in trusted groups. AUKUS is one such network but it certainly won't be the last.

The last trend I want to mention briefly is what a range of commentators have called the a la carte world, nonaligned states avoiding making decisive changes in one great power over the other, primarily because they want to avoid risk but also because they don't want to preclude their ability to extract resources and attention from both. For the nonaligned, great power competition is an opportunity to be exploited as a risk to be managed. As beneficiaries of four decades of globalisation, many of those states are much richer and more developed than the global south of the Cold War. Liberal democracies will be more constrained in their ability to achieve global outcomes than they were during the Cold War, when, as a group, they provided the majority of the world's GDP. That share is lower and to likely to continue to shrink as poor states get richer. The Russian example is salutatory here, the fact that the economy is still growing and able to find markets despite all that the west has thrown against it, I think is a case in point.

To the substance of the speech, the central question is how should Defence thinkers respond to this struggle and the global changes and trends that it is driving? I think the obvious one, first, is not to pretend that it doesn't exist. We

must recognise this struggle as structural, not incidental. And that it will drive elevated levels of uncertainty and risk for at least the next decade. I think our overriding job in Defence is to help ensure that this struggle doesn't tip over into confrontation. I think the critical early lesson is to recognise that the battle for Ukraine is actually the first war of this struggle. We should also recognise this as a failure of deterrence. We need to ensure that this failure isn't repeated, especially in our region. Why most especially in our region? Because the onus in the Indo-Pacific is most acute because it is the venue for where the world's most consequential strategic dynamic will play out and that is US/China competition. Yes, in case you are wondering what the answer was, Australia does need a strategy for deterrence. The Australian Government has set that out on 17 April, the Deputy Prime Minister Richard Marles launched the first National Defence Strategy, which outlined that of the three strategic defence objectives, shape, deter and respond, the government is now prioritising deterrence.

The question I want to address with you here today is what that looks like? How should Australia think about deterrence? What level of power does a country like Australia need to marshal and service of deterrence and what should we be seeking to deter? In the Second World War, the US strategist Walter Lipman wrote foreign and defence policy requires bringing into balance the nation's commitments and power and, if a state failed to preserve this balance it would become strategically insolvent, unable to pay its strategic debts. Lipman focused on the United States with its vast market power and its burgeoning list of international commitments which would only grow at the end of World War II.

The question is does Lipman's idea and insight apply to middle powers like Australia? We generally act as price-takers. We are forced to accept the prevailing geopolitical market with limited power to influence outcome. The question I ask my team often is what constitutes Australian strategic solvency? In my view, and this probably is obvious, it requires being very clear about what we are seeking to achieve and being equally clear about what we are not seeking to achieve.

That means we can't set objectives beyond our national power, but equally, Australia has generally been reluctant to think about employing all arms of

national power to shape our strategic environment outside times of crisis. The National Defence Strategy aims to get this balance right because it articulates the case for national defence, a concept that sets out a much more focused approach but one which will take - but that approach will take much more than just the power that defence can marshal alone.

To quickly outline the straightforward things, first the NDS requires Australia's approach to deterrence must focus on two requirements. The first to deter attempts to coerce Australia through force and the second, working with the United States and our key partners to ensure no countries attempts to achieve its regional objectives through military action. Our efforts are to be geographically-focused on our region and it follows that our forces, in structure and posture, must be focused on contributing to these two deterrence goals in our region. I won't go into the structure - into structure and design, this is covered in the NDS and is the result of exhaustive work in the department about how we do this within the expanded budget envelope that government has afforded us.

I do want to outline a set of objectives that I think should frame and guide Australia's approach to deterrence. The first may be counter-intuitive, it is that all theatres of strategic competition now are deeply interdependent. You may have noticed I have mentioned Ukraine a couple of times in this speech. Ukraine is in Europe, we are here in the Indo-Pacific but the simple fact is, deterrence in the Indo-Pacific can't be achieved if we adopt a purely geographic lens. What happens out of our region matters and what conclusion do we want to draw from Ukraine, I ask you? Military aggression worked? The costs were ultimately acceptable? That the use of force was a catastrophic misjudgment? That set back Russia's prosperity and security for decades. The conclusions that states draw from this conflict will be important to how they assess their own military options.

The second key consideration that I want you to think about is in deterrence terms, is that, in my view, going it alone will hurt more than it will help. This may seem like a very obvious point but there is a view not uncommonly expressed in Australia, that we should hedge against an uncertain future by adopting a more

"Independent foreign and strategic policy". That argument is a strawman because I think Australia always has policy independence in alliance frameworks or outside of them. The deeper point that critics are trying to make is, based on the idea that distance between the great powers will increase the space for a sovereign decision-making and minimise our exposure to military contingencies.

I profoundly disagree, I don't think this will work. Going it alone in a more dangerous world won't increase our space for sovereign decision-making but in fact diminish it because it will make us less able to defend ourselves and more vulnerable to coercive state craft.

I think this will be especially true in terms of the type of capability we will need to be able to deter force projection against us. That requirement is growing every day. To use the formula of one of my predecessors, our focus is on what he called self-reliant defence, defined as the ability to defend ourselves with our own resources, pursued within the framework of alliances and agreements. In developing this concept, Paul made the distinction between self-reliance and self-sufficiency. A self-sufficient strategy will imply Australia should be able to defend itself with its own resources from any potential adversaries, irrespective of what support it could receive from alliances and agreements. Given the environment that we are in today, I don't think a self-sufficient approach is viable for Australia and it would force upon us a deeply invidious choice. A self-reliant approach by contrast gives us more options to expand the scope for sovereign decision-making.

The third consideration is that any effective deterrence strategy must aim at contributing what I would frame as a sustainable balance of power in the Indo-Pacific. Imbalance in geopolitics is provocative. The emergence of military preponderance in the Indo-Pacific, I think, would profoundly alter the risk benefit calculous in a region not short of contested territorial boundaries. That is why Australia should seek and invest in a balance of military power that seeks to ensure that no country might conclude that the benefits of force might outweigh the risks. A focus on this balance, I think, should also underscore what we are not trying to do. We are not tying our strategy to the preservation of American strategic primacy, or the prevention of a Chinese alternative. Rather we

should seek a regional order, consistent with our interests, where no one country is predominant, where states are free to exercise their sovereignty and pursue their strategic objectives, consistent with international law but, crucially, in an environment where military options are effectively contained.

The fourth consideration is that our strategy must support and encourage an active US role in the region. A decision by Washington to become an offshore or out-of-region balancer I think would make an in-region balance much harder, if not inoperable. That is why it is in Australia's interests to invest more in the United States alliance. Not just because of the advantages it affords us, in terms of intelligence, technology and capability, but because of the strategic importance it has to the goal of conflict-prevent shone. A focus on a US engagement in the region doesn't mean we should return to the hub and spoke model of the past, instead, my fifth point is we should focus on building a broader network of partners in and outside of the Indo-Pacific. Any effective Australian deterrence strategy will see Australia invest in complementary strategic and operational relationships. With countries like Japan and India and in building current and new multilateral groupings, AUKUS is one, QUAD is another and so too is the recent meeting of the United States/Japan, Australian and Philippines Defence ministers. They will have different functions, some normative, some about capability, some about security, others not about security. There won't be one ring that rules them all. The point is to foster a constellation of states that act as a forced multiplier for Australian security. Because they will not only help us build our own national capabilities but they will also contribute to the balancing effect that we seek.

The sixth, and I am getting towards the end, we must operationalise our deterrence objectives with our partners across multiple domains. Yes, deterrence obviously means being able to operate in the military domain, with our allies and partners at the high-end. But that is a necessary but insufficient condition for effective deterrence, in my view. We need to develop an equivalent capability to be interoperable across technology, industry, investment and economic domains. Ultimately, Australia's network of partners and allies is a huge competitive

advantage for us. Liberal democracies have a special ability to cooperate intimately with their partners. It is true, it is something that we have that others do not. After all, who wants to really cooperate intimately with Russia? Be honest. You could have a temporary alignment of interests, but I think the level of institutional intimacy and trust that liberal democracies we can build with our partners and allies is unrivalled.

I think that advantage really only exists unless we are able - it just exists on paper, unless we are able to really build the capability to work across sovereign boundaries, in ways that pool our resources, combine our talents, integrate our industries and build economies of scale. If you think of international partnerships as a capability, you recognise they need sustainment as well as acquisition. In short, the big objective here in our deterrence strategy is we must update the operating system for our international partnerships and alliances, such that they are fit for purpose for today's strategic environment, not for the end of the Cold War. This is really the hard graft of government, that my team works in day in, day out. Australian legislation, such as the Defence Trade Controls Amendment Bill this year and the corresponding 2024 National Defence Authorisation Act in United States all aimed at building a licence - export licence for the environment for defence trade is one key example of how we are looking to transform the ability we work together as allies. To be able to operationalise our partnership, not just in the domain but across multiple domains. The reciprocal access agreement with Japan that my team negotiated is another such example, as with other agreements and treaties that we are looking to build throughout our region. Seventh, and finally, and then I will conclude, is we will need strategic patience. This is a point that our Chief of Navy often makes. Developing high-end capabilities is necessary for effective deterrence, it is not quick, cheap or easy. There will be setbacks but there is something in the Australian ethos that often decries or talks down ambitious initiatives as beyond us. Do you remember I grew up in - I was graduating uni in the 90s but I remember the furore over the Collins Class. Do you remember that? Yes, it is difficult, it was difficult and there was a myriad of technical challenges. The reality is that the RAN now operates one of the most conventionally powered and capable submarines in the world. What would have

happened if you listened to the naysayers then? Hunter is another much-criticised example, capability, will be multipurpose-combatant and there is no substitute for the effect delivered by a surface combatant with high-end under-sea capabilities and building such an ambitious capability will take perseverance and determination. The same applies to SSN AUKUS. This is not a message to go slow, don't misunderstand me but rather to remain determined and keep our eyes on the prize.

I hope I have been able to convey to you the gravity with which we understand our strategic circumstances and our determination to ensure that we navigate this tougher world, in cooperation with our partners and allies so we can help ensure that deterrence works? Thanks, very much. (APPLAUSE)

MICHAEL SLEEMAN: Thank you for the wide ranging presentation. I know while the focus was on Australia's power, you emphasised the importance of alliance and partnerships. Straight to the app for a question first. "What role do you hope middle powers from outside our region will play in the Indo-Pacific deterrence - what is a reasonable expectation?"

HUGH JEFFREY: Thanks. I made a point in the speech that - we have an Indo-Pacific strategy but one of my frustrations is I think the attempt to define that too literally in geographic terms. We have many challenges in the Indo-Pacific but I think a lot of the challenges are not solvable through geographic prisms. Take, for example, defence industry capacity. Is it our strategy that we want to build out our defence industry capacity only by focusing on the Indo-Pacific? No. I think I spent time talking about the fact that we are no longer in the world of comparative advantage, purely, we can mourn the loss of that world, it is the most efficient economic way to trade but that is not the world that we are in. The idea that we will just try and produce everything we need for defence industry in Australia, no, we will still need a global supply chain. That supply chain must be global. It can't just be Indo-Pacific. When you think about the way in which our allies and partners can contribute to deterrence in the Indo-Pacific, there are many ways and I think, in many cases, the least important way is in high-end war-

fighting capability because I don't expect, in the event of a contingency, that there will be a flood of northern partners and allies moving to the south. Rather, what we need to be able to do is operationalise a partnership with them that does the real things that contribute to deterrence now. Things like building our own industry supply chain. We should not be all seeking to produce defence - fix platforms on our own, we need to be able to produce component parts of systems that contribute overall to capacity. You can see that with our guided weapons and explosive ordinance enterprise. We need to do that in other capabilities. Industry is the one key area that I have been focusing on and government will need to build out the agreements and treaties with partners that allow us to share and produce in groups with other countries. This is not easy to do because a lot of it is sensitive technology but we need to be able to do it. The idea that we only do that in the Indo-Pacific is wrong. The other key area that we will be looking at is norms-building. The international law will be important to ensuring we can navigate this tougher period, global period in a manner that allows us to continue to maximise our prosperity and security. At the end of the day, norms are as much power-based as they are ideas-based. In this case, there will be - the importance of numbers will be very significant, the ability to operate, to work with our partners on norms-building, on having countries all articulate our expectations, in terms of - not just commercial interaction but strategic interaction, occurring consistent with international law is going to be very important, if it is only countries in the Indo-Pacific talking about the South China Sea, for example, that is problematic. Thanks.

MICHAEL SLEEMAN: I will keep on the norms and partnerships for a moment. Another question from the app "NATO or other agencies may argue that deterrence didn't fail against Russia, the failure was not yet having Ukraine as a member. Does our region need a similar multinational deterrence organisation to be truly effective?"

HUGH JEFFREY: I think the answer to that, in my perspective, is no. NATO serves a very specific purpose and I don't think an attempt to recreate NATO in

the Indo-Pacific would work. I don't think an attempt to create NATO in the Indo-Pacific would be supported by many of our partners. I think instead, it's less about Article 5 arrangements and more about, as I referred to in the speech, building a network of states that acts, if you like, as a constellation. These states are able to interoperate together a range of different domains and those networks of cooperation will operate - sometimes they will be deep and narrow, for example, like AUKUS. Sometimes they will be broader, operating outside of the defence domain, like the QUAD, and sometimes they will operate in things like supply chains which really is based on which countries have economic interests in contributing. You need this, I think - I don't think creating a treaty organisation that tries to encompass everything is the right way to go. We are going to need a much more nimble, flexible interoperable set of networks that interact together and collectively deliver a deterrent effect. I don't think a fixed organisation is the way to go.

MICHAEL SLEEMAN: I will open up to the floor now if there is any questions. We have time for one more. A question from the app; "How do you see educating the Australian public on the current strategic risk to enable government decision-making and being more comfortable accepting risk, if that is indeed needed?"

HUGH JEFFREY: It is a difficult issue. One of the problems that Australia has is that we're not especially used to operating in a deteriorating strategic environment. For the life of - since federation, I would say, this nation and its departments of state have all evolved in a strategic environment that I would describe as uniquely hospitable. The 20th century was a tumultuous century and so was the century before that, but from Australia's perch in the Southern Hemisphere, it was an environment that where all of our major trading partners or liberal democracies like ourselves, where the idea of facing the risk of high-intensity conflict was limited, only to the Second World War and particularly post-World War II, the major - the region, it was our strategic ally. Shifting into that more contested strategic environment is a very different type of world that Australians are used to occupying and I think we need to build up a better

understanding about it in the Australian public, about what that means and how that will change our government has to resource the national security effort. If you talk to senior people who have observed the National Security Committee of cabinet over a number of decades, the time that the Prime Minister has had to deal with national security issues has gone from around about 15% to 50% or more. The requirement for government to engage on national security issues is growing and, as a result, if you want to sustain social license for national security policy-making and the budgets that this will require, then there needs to be greater public awareness of what that requires.

The final thing I will mention on this is, going back to my point on deterrence, the argument around deterrence is often stymied or misdirected by strawman arguments, like that in building up your defence capability, or acquiring high-end war-fighting capability, you are somehow acting in a provocative manner, that it is all about ganging up with the United States to contain China, and I think we need to do a better job of ensuring that we help in our own region and our own public understand that, when it comes to threats, inaction is probably the riskier path and that action now helps minimise our risk down the line and investing in highend - more advanced defence capability now is going to better equip us to manage risk later down the line. Also, helping our public understand that, as I mentioned in the speech, we are not seeking - we are not tying our strategy to certain - to outcomes specific to states, rather we are tying our strategy to an order consistent with our interests and that is an order that all - when I go around the region, everyone agrees with. It is a matter of how we can better communicate to ensure that our public best understands what we are seeking to achieve and what we're not.

MICHAEL SLEEMAN: A complex task. Thank you, very much, ladies and gentlemen, please join me in thanking Mr Hugh Jeffrey. (APPLAUSE)