Australian Army
Research Centre

Strategic Assessment
Quarter 2, 2021

Serving our Nation

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Synopsis

The themes and conclusions presented in the Quarter 1 Strategic Assessment continue in the second quarter of 2021. COVID-19 continues to dominate the world, although heroic scientific and manufacturing efforts have seen vaccine production expand and grow. While vaccines offer a way out, it is still too early to return to a pre-COVID world. The Army must expect and plan to continue supporting domestic efforts, especially in accelerating vaccine rollouts, as well as supporting our regional partners with their own measures. Outbreaks will continue to flare up, of either known variants or new mutations, and we remain one of the few organisations with the flexibility, readiness and logistic depth to provide support.

On the positive side, the first half of 2021 has seen better economic growth than was expected at any point last year. This is excellent news for Australia, but does present a double-edged sword, as Army must grapple with competition in manufacturing and workforce areas. As Army's acquisition budget grows within Defence and our average levels of technical requirement match pace, the pressures on recruiting and retention will continue to demand revision and innovation in our workforce management. Simultaneously, as our capability grows we will face pressures from overseas supply chains that are already wound tightly due to shortages of key materials and COVID-19 restrictions.

Overlayed on these challenges are increasing tensions within the strategic environment. The geostrategic order continues to fragment, with COVID-19 still another vector in increasing geopolitical and economic tensions. A significant part of the world's national security apparatus is increasingly focusing on the Asia-Pacific, with recent United Kingdom and European Union deployments to the region. As a significant actor within the Indo-Pacific, the Australian Defence Force (ADF) will need to remain prepared for an increased propensity to be committed to a range of domestic and international tasks.

Overall, while there has been a constant stream of newsworthy events this quarter, little which is fundamental has changed. COVID-19 continues to define the times, including now as another tool in a nation's diplomatic toolbox. Global and domestic economic performance has improved, but this has left risks relating to escalating debt, inflation, supply chain security and geo-economics untouched. The strategic environment continues to morph with the interplay of powers in strategic competition. These challenges have implications for the Australian Army and its partners no matter what time horizon is being prepared for.

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Introduction

The second quarter (Q2) of 2021 has seen a gradual return to pre-COVID19 trends, though the pandemic is far from over. A third global wave of the virus appears to be diminishing in severity, with many nations coming out of economic 'lockdowns' and vaccine programs are underway. Australia is in a good position despite short-duration lockdowns, with its economy rebounding and its national institutions responding effectively to social and political requirements. Nonetheless, Australia's geopolitical setting is under stress as strategic competition between numerous countries continues and international government organisations challenged with gaining consensus between nations have been increasingly looking inward. These circumstances bring with them the social and political fragility evident around the world. The Australian Army remains, and must remain, alert to opportunities and challenges, not just because it must be prepared for myriad different operational requirements but also because each issue creates new dynamics that will shape the form and function of the Army into the future. The Australian Army Research Centre's Q2 2021 Strategic Assessment provides the reader with a summary of major issues that will have implications for the Army, the broader ADF, and the many partners that support both. As with previous reports, it focuses on four areas. Firstly, it provides a broad outline of the COVID-19 pandemic and identifies possible risk areas. Secondly, it provides an analysis of global and domestic economic factors that shape the development of Australia's Land Capability. Thirdly, it examines the political environment in the context of global and regional stability, as well as the implications of Government requirements for the Army's preparedness. Finally, it examines reports pertaining to the strategic environment, and the circumstances that lead us to assess the future outlook as uncertain and dangerous.[1]

1 Department of Defence, *2020 Defence Strategic Update* (Commonwealth of Australia, 2020), p. 5, at https://www1.defence.gov.au/strategy-policy/strategic-update-2020

Pandemic

Three key events dominated the past quarter with respect to COVID-19: another wave (especially in our region), the prevalence of virus mutations, and the accelerating vaccine rollout. The third wave of COVID-19 infections profoundly impacted India, South-East Asia and the Western Pacific—regions that had proved quite effective at minimising transmission of the virus throughout 2020. The current number of confirmed cases of COVID-19 internationally is around 181 million (up from 102 million in the Q1 Strategic Assessment), with 3.9 million deaths globally as of 28 June.[2] As of 20 June, it appears the third wave has reduced in its intensity, with the world currently at the lowest rate of new cases since before 1 October 2020.

This third wave is identifiable across most geographic regions, but especially in India and neighbouring countries. India saw nearly 9 million infections and 120,000 deaths in May alone, with its total infection figures now only second to those of the United States.[3] Simultaneously, nations like Japan, Singapore and Taiwan which weathered 2020 very well saw new waves. From a peak of 1,500 cases in August 2020, Japan saw two waves in quick succession, with a 7,700 case peak in January and another 6,500 peak in May. These surprising peaks have caused significant internal tension, with the 2020 Tokyo Olympic Games due to start on 23 July. Likewise, Singapore and Taiwan both saw concerning jumps in case numbers, insignificant compared to global figures but at previously unrecorded heights.

2 World Health Organisation, 'WHO Coronavirus Disease (COVID-19) Dashboard', at https://covid19.who.int/, as at 21 June 2021.

3 Murali Krishnan, 'COVID: What has India learned from the second wave?', *Deutsche Welle* online, 16 June 2021 [accessed 21 June 2021]

Closer to home, the number of COVID-19 cases in Papua New Guinea (PNG) increased ninefold in May to more than 11,000. While the increase is now under control, issues of communication and travel in regional areas mean the count is almost certainly higher. The World Health Organisation (WHO) is concerned about the potential for a much larger epidemic in PNG, noting that every province has COVID-19 cases and community transmission is rampant.[4] The May wave placed the PNG health system under significant pressure; should the feared explosion in cases become a reality, Australian medical and logistic support could very well be requested.

Critical to explaining the third wave and the faster community transmission rate are the genetic mutations COVID-19 has undergone. Now named with Greek letters to prevent an association of the virus with any particular geographical region, 11 mutations have been identified. The WHO currently rates four as variants of concern (Alpha, Beta, Delta and Gamma) and seven as variants of interest.[5] Delta is the leading cause of third-wave transmissions in our region and appears to have a higher rate of infection than the Alpha and Beta variants, with some claiming Delta is 50% more infectious than Alpha.[6] Australia has seen all four variants of concern, with Delta and Kappa (another variant of interest and an offshoot of Delta) behind recent Australian clusters.[7]

The vaccines in use appear to generally work against all variants. For this reason the deployment of vaccines continues to be important even as lockdown and containment policies remain the most effective deterrents against the virus. Australia's federal and state governments continue

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4 Natalie Whiting, 'COVID-19 numbers fall in Papua New Guinea but there are fears many cases have been missed', *ABC News online*, 4 May 2021 [accessed 21 June 2021]

5 World Health Organisation, 'Tracking SARS-CoV-2 variants', at https://www.who.int/en/activities/tracking-SARS-CoV-2-variants/, as at 21 June 2021.

6 Kirsty Short, 'What's the Delta COVID variant found in Melbourne? Is it more infectious and does it spread more in kids? A virologist explains', *The Conversation* online, 7 June 2021 [accessed 22 June 2021]

7 ABC News, 'The Delta strain isn't the only COVID-19 variant you're likely to hear about', *ABC News online*, 8 June 2021 [accessed 21 June 2021]

8 Australian Government Department of Health, 'Coronavirus (COVID-19) current situation and case numbers', at https://www.health.gov.au/news/health-alerts/novel-coronavirus-2019-ncov-health-alert/coronavirus-covid-19-current-situation-and-case-numbers, as at 21 June 2021.

9 WHO Coronavirus Disease (COVID-19) Dashboard.

to pursue containment strategies as opposed to eradication—altering restrictions and lockdowns along with tracking and monitoring. Current outbreaks are similar in size and scope to outbreaks Australia has seen since mid-2020.[8] However, it is likely that all Defence business will continue to need to be planned mindful that further lockdowns or other restrictions on human behaviour could be implemented.

As of 28 June, 2.66 billion doses of vaccines had been administered worldwide.[9] This includes both one-dose and two-dose vaccines. Approximately 488 million people were fully vaccinated as of 28 June—around 7% of the world's population. Although COVID-19 infection and death rates suggested that Europe and North America were unprepared to respond to the virus in 2021, countries in these regions have led vaccine distribution rates and are broadly recovering from prior waves.[10] Causes for this may be their industrialisation and economic models; although improvements to health systems in trying to handle COVID-19 along with national psychological scarring from cases to date may also offer explanations, especially as Brazil and India are in the top four nations for vaccine distribution.

There are currently eight vaccines in use: five Western ones (Oxford–AstraZeneca, Johnson & Johnson, Novavax, Pfizer–BioNTech, and Moderna), two from China (Sinovac and Sinopharm) and one from Russia (Sputnik V). Of these, AstraZeneca is the most common (although internal numbers for China may elevate Sinovac and/or Sinopharm) and it was to be the foundation of the Australian rollout. This has recently shifted to Pfizer as Australia, like many nations, has posed restrictions on the AstraZeneca vaccine due to concerns about blood clotting in younger people.
This change, together with disruptions to global supply, has seen the Australian vaccine rollout face a number of hurdles. Despite these issues, Australia is on track to vaccinate all adults by September 2022.[11]

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10 Our World in Data, 'Coronavirus (COVID-19) Vaccinations', at https://ourworldindata.org/covid-vaccinations, as at 21 June 2021.

11 Inga Ting, Nathanael Scott and Alex Palmer, 'Untangling Australia's vaccine rollout timetable', *ABC News* online, 30 May 2021 [accessed 21 June 2021]

12 NSW Health, 'Management of COVID-19 vaccine AstraZeneca (ChAdOx1-S) from refrigerator to administration', 15 April 2021, at https://www.health.nsw.gov.au/Infectious/covid-19/vaccine/Pages/az-refrigerator-to-administration.aspx

Issues with AstraZeneca are likely to have significant second-order and third-order effects, as this vaccine has two key advantages: storage and cost. Unlike other vaccines, AstraZeneca does not require storage at very low temperatures, with 2°C to 8°C being suitable for up to six months.[12] This is particularly important for distribution in regions with a lower infrastructure base, especially in the Indo-Pacific. AstraZeneca is also the cheapest of the eight vaccines, as shown in Table 1.

Table 1: Price comparison of COVID-19 vaccines

Vaccine	Price per dose (USD)[13]	Price variation
Oxford–AstraZeneca	$3.60	$2.15 to $5.25
Johnson & Johnson	$10.00	
Novavax	$16.00	
Sputnik V	$10.00	
Pfizer–BioNTech	$19.50	
Moderna	$31.00	$25 to $37
Sinovac	$29.75	$5 to $60
Sinopharm	$27.50	$19 to $36

The Western and Russian developed vaccines are being sold at standard prices regardless of nation. The AstraZeneca vaccine is cheaper in the US than in other places, notably South Africa and Mexico. The Chinese vaccines appear to be part of broader political efforts for influence within the region, with different nations paying different amounts, some less than Beijing itself is paying. For example, Thailand's doses of Sinovac cost US$5, but India and the Philippines are paying US$14 and US$38, respectively. There is a chance these costs will come down with increased production thanks to a democratisation of medicine creation and economies of scale. In the Indo-Pacific region alone, at least 10 nations make vaccines, including nations without a traditionally strong pharmaceutical industry. This provides some surprising examples, such as South Korea making Sputnik V vaccines for export back to Russia and to the United Arab Emirates, and not for domestic purposes.

13 Consolidated from Mark Terry, 'Comparing COVID-19 vaccines: timelines, types and prices', *BioSpace* online, 15 June 2021; DJ Yap, 'Varying prices of Sinovac COVID-19 vaccine raise alarm', *Inquirer online*, 18 January 2021; and Shyan Goh, 'What do we know about China's covid-19 vaccines?', *British Medical Journal* online, 9 April 2021.

Across the world, the vaccine rollout is patchy and is concentrated in wealthier regions. There is also generally a focus on home nations first, as seen with the European Union and AstraZeneca. In the Indo-Pacific region, though, vaccine diplomacy has played a more significant role. Until March, for instance, Indian production facilities for the AstraZeneca vaccine had begun work and were supplying 65 other nations. The COVID-19 peak in autumn, combined with export restrictions from the US, led to a suspension and forced governments to look rapidly for other suppliers, including China and other nations with vaccine stock in reserve.[14] China itself has donated nearly 100 million doses, most of them to Indonesia, as well as establishing local production in at least two nations (Pakistan and Malaysia). Japan and the US have donated in smaller numbers, most notably to Taiwan as its COVID-19 numbers spiked, while Australia and New Zealand have both donated to Fiji in similar circumstances.

COVID-19 will undoubtedly continue to influence the world, especially as vaccination rates race mutations. The high rates of vaccination in major nations and across smaller Indo-Pacific countries may reduce the range of nations experiencing significant outbreaks, but even within these countries there are likely to be localised outbreaks. The risk of a new wave, especially in remote regions within Indonesia, PNG and Malaysia, will have implications for Army and Defence. It is notable that Africa has yet to encounter a major wave of the virus; with Australian forces operating in different capacities in this region there is reason for Defence planners to remain cautious. Furthermore, the slower than expected vaccine rollout in Australia will potentially complicate Army operations and supply lines as quarantine requirements and local lockdowns continue.

14 Max Walden, 'Indonesia suspends rollout of AstraZeneca batch, Malaysia reports record cases amid fears of COVID surge after Eid', *ABC News* online, 20 May 2021 [accessed 8 June 2021]

SUMMARY

- The diminishing rate of virus transmission suggests that the third global wave of the pandemic is approaching an end. It is possible that further waves will affect a range of vulnerable countries in Australia's region and in Africa.
- Deployment of vaccines to vulnerable nations will be strategically consequential, as will the provision of health support to nations suffering outbreaks.
- Mutant strains will continue to influence transmission rates, as will vaccine programs. It remains likely that Defence business will be impacted by associated virus management measures.

Economics

Australia has weathered the economic consequences of the pandemic relatively well. It outperformed all major advanced economies in 2020, and its labour market has continued to recover in the second quarter of 2021. While there have been intermittent localised lockdowns and border closures, these disruptions have ultimately caused minor short-term economic costs. This is fortunate, given the expectation that there will continue to be disruptions until widespread vaccination occurs. Business confidence is high in Australia. GDP projections are 5.1% growth in 2021 and 3.4% in 2022, largely driven by domestic demand.[15] Unemployment is low, incomes are high (and rising), and interest rates have never been lower. Employment increased by approximately 200,000 between December and March, with the unemployment rate declining to 5.6%, our pre-pandemic level.[16] Australia is the first country to have its average work hours return to pre-pandemic levels.[17]

Traditionally, Australia's domestic economic fortunes have been an important driver of Defence's Land Capability modernisation program. However, even during the lowest economic ebbs of the pandemic, the Australian Government matched its 2020 Force Structure Plan to invest heavily in Defence, including the Army. The expansionary annual federal budget released this quarter delivered $44.6 billion to Defence (including the Australian Signals Directorate) an increase of 4.1%, continuing nine

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15 International Monetary Fund, *World Economic Outlook*, April 2021, at https://www.imf.org/en/Publications/WEO/Issues/2021/03/23/world-economic-outlook-april-2021

16 Reserve Bank of Australia, *Statement on Monetary Policy*, May 2021, at https://www.rba.gov.au/publications/smp/2021/may/pdf/statement-on-monetary-policy-2021-05.pdf

17 Australian Government, *Budget 2021–22: Budget Strategy and Outlook—Budget Paper No. 1* (Commonwealth of Australia, May 2021) at https://budget.gov.au/2021-22/content/download/glossy_overview.pdf

consecutive years of real growth.[18] While comparing GDP to defence spending as a measure of effectiveness is under increasing criticism—and Government policy is to decouple defence spending from GDP to allow for long-term planning by Defence without the volatility of GDP linkage—it does remain a useful comparator between states. It also offers advantages for assessments over time, as it does not require reference tables of exchange rates or inflation rates. Defence funding hit 2.04% of GDP last year, and projections put it at 2.09% for 2021.[19] The 2021 Intergenerational Report is consistent with the spending profile in the 2020 Defence Strategic Update, with Defence spending growing to 2.3% of GDP by 2031–32 and then continuing to grow in line with the economy until 2060–61.[20]

In the last year Defence's local military equipment spend grew 35% to approximately $3.5 billion, largely due to the Government's strong focus on Australian industry.[21] Australian industry itself is not just growing in real terms; the Australian Strategic Policy Institute (ASPI) reports that it is also growing in relative terms compared to the share of spending overseas.[22] Military equipment, facilities and ICT acquisitions all saw record spending in the last year. The Government has also committed $747 million to upgrading four key military training areas in the Northern Territory, all of them essential for Army exercises.[23] Australia's research and industry capability in artificial intelligence has been boosted by $124.1 million in new funding, including for a National Artificial Intelligence Centre.[24] Importantly, the Government has also invested an additional $460.4 million to provide veterans with easy access to the support they need and to improve veterans' wellbeing further.[25] The funding provided to Defence will amplify expectations that Army contributes to other Australian Government policy initiatives such as disaster relief.

18 Department of Defence, *Defence Portfolio Budget Statements 2021–22* (Commonwealth of Australia, May 2021), at https://www.defence.gov.au/Budget/21-22/2021-22_Defence_PBS_02_Defence.pdf

19 Australian Strategic Policy Institute, *The Cost of Defence: ASPI Defence Budget Brief 2021–2022* (ASPI, May 2021), at https://www.aspi.org.au/report/cost-defence-aspi-defence-budget-brief-2021-2022

20 The Treasury, *2021 Intergenerational Report* (Commonwealth of Australia, June 2021), at https://treasury.gov.au/sites/default/files/2021-06/p2021_182464.pdf

21 ASPI, 2021.

22 Ibid.

23 Robertson Barracks, Kangaroo Flats, Mount Bundey and Bradshaw (*Budget Strategy and Outlook*).

24 Ibid.

These significant commitments have created workforce pressures not only within Army and Defence but also in the broader industrial base that supports Defence. As ASPI reports, Defence's contracted workforce is providing essential support in the delivery of capability, but skilled workers are in high demand. Given the Australian Government's significant investment in Defence, this tightening workforce is likely to require the Army to accelerate its workforce transformation plans so that it can unlock latent capacity. A measure of the Army's reputation will be its ability to deliver promised capability acquisitions.

Australia's projected economic growth is largely contingent upon the global macroeconomic situation. In the last quarter, the global economic recovery has started to look more confident. Much analysis is now available concerning the efficacy of various response measures, leading to expectations of strong global growth this year and next. The world economy has now returned to pre-pandemic activity levels, and domestic stimulus measures are winding up. Global GDP is projected to rise 5.75% this year and close to 4.5% in 2022, an impressive surge after the 3.5% contraction in 2020.[26] Australia's major trading partners' GDP growth forecasts are even better: approximately 7% in 2021 and 4.5% in 2022.[27] It is assessed that this growth is thanks to a combination of containment polices being more carefully targeted, businesses and consumers adapting to changes in working arrangements and sanitary restrictions, and economies coping better with measures to suppress COVID-19 in general. Overall, world trade volumes are projected to increase by 8.2% in 2021, after falling by 8.5% in 2020.[28]

Improved industrial production and trade are likely to help to assure Land Capability related supply chains. This will be especially important as Army works with its partners to modernise numerous capabilities and to ensure that its materiel is prepared for use. The second quarter of 2021 has offered a stark reminder of the vulnerability of global supply chains to interdiction or misadventure. The blockage of the Suez Canal by the Ever Given container

25 Ibid.

26 *World Economic Outlook.*

27 *Statement on Monetary Policy.*

28 *World Economic Outlook.*

ship for six days in March delayed 12% of global trade, with billions of dollars in losses occurring.[29] For Australia, materiel and spare parts from Europe had their transit times increased by 10 days, a factor not generally considered in detail as part of the acquisition process. While the blockage was cleared more quickly than expected, its effects continue. For example, the key Chinese port of Yantian was hit by the post-blockage surge and COVID-19 outbreaks, delaying ships by up to two weeks.[30] These delays are impacting all Chinese trade, both imports and exports, with flow-on effects across Australian industry. Moreover, as former Minister of Defence Stephen Smith wrote recently, these circumstances point to the enormous significance of supply chain security, with the attendant risks that supply chains can be manipulated in geo-economic competition—a factor that national security planners are increasingly attuned to.[31]

In concluding this section, and by way of a summary of the economic dynamics that are likely to affect the Army into the future, it is worth noting the recent release of the Treasury's 2021 Intergenerational Report. This five-yearly report examines the long-term sustainability of current policies and how demographic, technological and other structural trends may affect the economy and the budget. It stresses the increasing cost of an aging population, the changes in our primary industries due to a shift in emission reductions, and overall slower growth. While Defence spending remains on track, even increasing slightly compared to GDP, other parts of the budget will place pressure on this, most notably health and aged care. The report also highlights Australia's high level of educational attainment, which positions it well in relation to future technology shifts that will require greater technical skills. In competing for a workforce from a smaller proportion of youth, Army will also find challenges in finding the highly skilled recruits it needs, thanks to these pressures. The Intergenerational Report is an indication of the enormous economic, social and potential political changes underway, and the prospect of a difficult environment for Australia in the years ahead.

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29 Mary-Ann Russon, 'The cost of the Suez Canal blockage', *BBC News* online, 29 March 2021 [accessed 10 June 2021]

30 Bloomberg, '"String of disasters": China's shipping delays set to widen trade chaos', *Sydney Morning Herald* online, 18 June 2021 [accessed 22 June 2021]

31 Stephen Smith, 'Expectations disrupted: lessons for Australia's Indo-Pacific future', National Security College Futures Hub website, 29 June 2021 [accessed 30 June 2021]

SUMMARY

- The Australian economy has improved considerably, with growth outpacing many 2020 predictions. The Army is likely to be impacted by workforce pressures; this applies to its uniformed members, its contingent workforce and the broader domestic economy.
- Defence spending continues to grow, as does the expectation that the Army and other agencies will deliver upon Land Capability goals. It is highly likely that capability delivery will be an important metric of organisational performance.
- Land Capability delivery and sustainment will continue to be impacted by issues in global production and supply chains. It is possible that new concepts to sustain Land Capability over its life cycle will be required to assure capability.

Politics

The second quarter of 2021 saw a divergence in the way decision-making occurs at the national domestic and global governance levels. Domestically, responses to crises have resulted in the consolidation and reinforcement of decision-making apparatus, continuing to raise the public expectation of centralised coordination and control of inter-agency responses. In contrast, global politics is becoming increasingly decentralised as systems of global governance are challenged by frictions caused by the pandemic. The Army must continue to be prepared for the expectation that it is responsive to strategic requirements—strategic requirements that are shifting as changing approaches to international governance take root around the world.

In Australia, COVID-19 continues to test domestic governance at all levels. The vaccine rollout, intermittent lockdowns and state border closures all contribute to a general sense of 'pandemic fatigue'. As of June 2021, the ADF has roughly 1,469 personnel deployed as part of Operation COVID-19 ASSIST across every Australian state and territory. In the past quarter, the Army has also assisted with several other civilian emergency efforts. These include the New South Wales floods, the cyclone in Western Australia, and the Victorian storms. The capacity of the Army to respond to domestic disasters has a substantial impact on the reputation of the Australian Government. These tasks also ensure the Army maintains its high standing with the Australian public. This quarter has seen a continued political focus on national geo-economic resilience and global supply chains in the lead-up to the federal election.

Domestic instability for regional states highly impacted by COVID-19 has characterised Q2. The capacity of regional governments to respond to outbreaks and track community transmission continues to be challenged. States in the Indo-Pacific are seeking international partners, including the Australian Government, to assist with national health outcomes. The Army is likely to be required to contribute to Australia's regional counter-COVID goals, due to its history of persistent engagement and operating experience in the Indo-Pacific. Politics of resilience and climate change are increasingly important in Australia's immediate region. 'Mini-lateral' diplomacy is also on the rise, with standout examples being the Quadrilateral Security Dialogue (the Quad) and the launch of the Pacific Resilience Facility to help regional states prepare for future disasters.[32]

Changing standards of governance were cited as sources of geostrategic risk in the Strategic Assessments of 2020—a decline in democracy generally resulting in greater levels of social and political disorder. Thanks mainly to COVID-19 offering justifications (legitimate or otherwise) for crackdowns, global freedom has decreased again. In 2020 we saw the largest number of countries to have their freedom undermined in both gross and relative terms.[33] While the decline in Asia has been less than in other regions, increases in surveillance, media restrictions and crackdowns on protests all contributed to fewer freedoms in this region. While policy changes in Hong Kong are making headlines, other important events are the continued degradation of political conditions in Myanmar and the political stalemate in Samoa.

Myanmar remains a concerning flashpoint and represents the growth of autocracy within the region. The probability of civil war has increased due to stiffening resistance from those linked with the National Unity Government (NUG) and the decision of key rebel groups based in different ethnicities to increase their actions against the military and work alongside the NUG.[34]

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32 Bernadette Carreon, 'Local and simple: Pacific Resilience Facility seeks to aid community disaster preparedness', *ABC Radio Australia* online, 21 May 2021 [accessed 9 June 2021]

33 Freedom House, *Freedom in the World 2021: Democracy under Siege* (Freedom House, March 2021), at https://freedomhouse.org/report/freedom-world/2021/democracy-under-siege

34 Andrew Selth, 'Myanmar and a new kind of civil war', *The Interpreter* online, 13 May 2021 [accessed 8 June 2021]

At present, Russia is the only major power to support the military junta. This support is likely the result of the view that Myanmar could be a gateway to ASEAN. Moscow's actions offer insulation for Myanmar's leaders and businesses from international sanctions.[35] While Russia currently has no real influence on Australian policy or on ADF requirements, it splinters the focus of crucial allies and potential partners.

The situation in Myanmar also provides insight into how vital regional partnerships are developing. In April, thanks to strong diplomatic actions by Jakarta, ASEAN took the unusually bold step of interceding in a member nation through the Five-Points Consensus with the junta, an agreement that provided for an ASEAN Special Envoy and called for the end of violence. This has not advanced matters significantly to date but it does offer Australia a chance to provide public backing to ASEAN in general and Indonesia in particular. Beijing has come to a similar conclusion, publicly supporting the Five-Points Consensus at the recent Special ASEAN-China Foreign Minsters' Meeting on 7 June.

While ASEAN's actions are positive, and more significant relative to past interventions, the Pacific Islands Forum (PIF) remains fractured following the departure of the Federated States of Micronesia in February. Although the reasons for the fracture are predominantly internal to the PIF, the outgoing Secretary-General has warned that it is already hard for Pacific Islands to chart their own course in the region without the influence of other powers. Fracturing into regional blocks would undermine the collective advantages the PIF offers. This extends to climate change, an increasingly significant point of contention between Australia and its neighbours.[36]

Conversely, the Quad has gone from strength to strength with a focus extending to security issues. This has not been at the expense of its humanitarian roots, with all four nations, especially India, donating millions of doses of vaccines to the region, helping to counter similar Chinese efforts.[37]

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35 Umair Jamal, 'Russia and Myanmar's militaries grow closer as post-coup violence continues', *ASEAN Today* online, 12 April 2021 [accessed 8 June 2021]

36 Johnny Blades, 'Outgoing Pacific Forum head warns about external influences', *Radio New Zealand* online, 31 May 2021 [accessed 9 June 2021]

37 Teesta Prakash, 'The Quad gives a boost to India's vaccine diplomacy', *The Interpreter* online, 16 March 2021 [accessed 7 June 2021]

The Quad's increased security focus, including recent naval exercises, highlights that it is firming as the main counterweight to China in the region, whether this is explicitly stated or not. In addition to this, recent moves by the UK, the European Union and the US have all highlighted their increased focus on the Indo-Pacific region. The UK's Integrated Review of Security, Defence, Development and Foreign Policy 2021 states an increased focus on the Five Power Defence Arrangements, and London's commitment shows in the recent sailing of the HMS Queen Elizabeth carrier strike group.[38] The EU has followed a similar path with the release of a dedicated Indo-Pacific strategy. For the US it is harder to match word to action. While it has rejoined the Paris Agreement on Climate Change and supported Taiwan, Micronesia and PNG with vaccines, explicit military commitment is harder to quantify. The previous administration's work generally appears untouched, while the withdrawal of forces from Afghanistan should result in a greater focus on the Pacific in the long term. In the short term, the US Navy's only aircraft carrier has been transferred out of the region.[39]

Larger global political groupings continue to be relevant in spite of the growth of mini-lateralism. For example, the 47th Group of Seven (G7) summit included discussions on climate change, security in the Indo-Pacific and potential COVID-19 responses. Regarding COVID-19, the focus was on the global vaccination effort and tackling the economic consequences of the pandemic. One firm commitment to come from the G7 summit was a pledge of 1 billion vaccines to the developing world.[40] It is also important to note that the G7 represents such a large proportion of the global economy and military power that its resolutions and collective actions are very significant. Moreover, such actions show a resolved geopolitical order willing to act together to address present security and strategic threats.

38 House of Commons Library, *Integrated Review: The Defence Tilt to the Indo-Pacific*, Briefing Paper No. 09217, 11 May 2021, at https://researchbriefings.files.parliament.uk/documents/CBP-9217/CBP-9217.pdf

39 Mike Glenn, 'Pentagon sends sole aircraft carrier in the Pacific to the Middle East', *The Washington Times* online,
27 May 2021 [accessed 8 June 2021]

40 Joseph Lee and Becky Morton, 'G7: World leaders promise one billion Covid vaccine doses for poorer nations', *BBC News* online, 13 June 2021 [accessed 21 June 2021]

The G7 event was significant for Australia. While there, Prime Minister Morrison announced a new free trade agreement between Australia and the United Kingdom.[41] He also met with President Macron of France to discuss the highly publicised Attack-class submarine contract, which resulted in a declaration that the project was on track.[42] The G7 summit, importantly, also provided President Biden with the opportunity to set a new tone and pattern for United States international engagement. President Biden emphasised greater integration with global partners and allies, seeking to allay any concerns as to the level of American commitment to global peace and security. This emphasis holds particular meaning for European and Pacific states, as their regions are increasingly unstable and contested. It is highly likely that forums such as the G7 will proliferate in the wake of the COVID-19 pandemic, especially as member nations seek to offset the many frictions exacerbated by the pandemic.

The rise of mini-lateralism and the increased securitisation of economic forums will have significant impacts on the coalition activities of the Army and the ADF. It is likely that new important partnerships will emerge from these ostensibly non-military groupings—partnerships that could result in new global commitments for the ADF or renewed international engagement with the militaries of like-minded nations.

SUMMARY

- The pandemic and pressure on the geostrategic order continue to cause fragmentation, resulting in the proliferation of ‘mini-lateralism’. It is possible that this will impact Defence international engagement.
- The Army, as reflected in prior Strategic Assessments, will need to remain prepared for an increased propensity to be committed to a range of domestic and international tasks.

41 Gareth Hutchens, ‘Will the Australia-UK trade deal be in Australia’s interest? History shows we must be careful’, *ABC News* online, 16 June 2021 [accessed 22 June 2021]

42 Hans van Leeuwen, ‘Morrison claims progress in push to get $90b subs program on track’, *Australian Financial Review* online, 16 June 2021 [accessed 22 June 2021]

Strategic environment

The Q2 2021 Strategic Assessment maintains the observation of the 2020 Defence Strategic Update that conflict remains ‘less remote’. However, although there are many flashpoints and issues that create reasons for states to use military forces to protect national interests, there has been a measured decline in the military and political activities which characterised the strategic environment of the last year and a half. Amid this positive change, coalition activities within Afghanistan have drawn to a close and numerous involved nations have shifted their focus to other issues—including military engagement within the Indo-Pacific region. These circumstances highlight the significant changes and strategic dynamics that are likely to present dilemmas to national security planners for years to come.

The characteristics of strategic competition within the Indo-Pacific continue to change. With continued competition over flashpoint regions, there is always potential for accidents and misbehaviour to spiral into crises. Furthermore, the nature of strategic competition is such that the levers of national power—sometimes summarised into diplomatic, informational, military and economic—can shift in their relevance to competition outcomes. This has implications for preparedness planners across the national security enterprise. The Australian population and government institutions, including the Army, are increasingly aware of the ways in which nations with interests inimical to Australia’s own behave. Nonetheless, it is likely that the dynamism of the strategic environment will require Australia’s institutions to be equally dynamic in the way they respond. This approach has been germane to transformation in the Army and will continue to be so in the future.

While traditional movements continue, an increasingly prominent factor in 2021 has been the power of non-state actors using new domains in new manners. Brought to the public's attention most clearly though the attack on Colonial Pipeline in May by a hacking group, ransomware attacks have already increased by 60% compared to the same time period in 2020.[43] While the Colonial Pipeline attack shows the strategic crippling that can occur (the pipeline carries 2.5 million barrels of fuel a day, while Australia in its entirety uses 1.1 million per day), smaller attacks can also cause major disruption. To date within Australia in 2021, the Northern Territory Government was attacked in January, Channel Nine headquarters and Uniting Care Queensland in March, and JBS Foods in May. This has already cost millions in actual and missed revenue—and evidence suggests that these cases did not even involve state actors. The ability of non-state actors to inflict such damage highlights the challenges with new domains, complicates national defence, and will require new thinking on possible responses.

Q2 2021 also saw the United Kingdom (UK) make a dramatic strategic change, which could see it operate with greater frequency in our region. The UK released its long-awaited Integrated Review of Security, Defence, Development and Foreign Policy, titled Global Britain in a Competitive Age, which proposes a way in which the UK military would respond to the fragmenting geopolitical order.[44] The review focuses on joint capability and outlines a British defence intent to pivot attention towards the Indo-Pacific. This significant review advocates the redirection of resources from air and land capability to cyber security, space and artificial intelligence.

43 BlackFog, 'The state of ransomware in 2021', 1 June 2021, at https://www.blackfog.com/the-state-of-ransomware-in-2021/

44 HM Government, *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy* (UK Government, 2021), at https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age-_the_Integrated_Review_of_Security__Defence__Development_and_Foreign_Policy.pdf

It cites space and technology as vectors for success in future operations, but is yet to outline specific details.[45] The UK will release a cyber strategy and space strategy later in 2021. There will also be a greater overall focus on workforce, as the British Armed Forces faces many of the workforce pressures that confront the ADF. As the UK is a key military partner, the Integrated Review is likely to have far-reaching impacts that the Australian Army will need to understand—not least how the two forces will operate with one another.

For the Australian Army, this quarter marks the closure of our longest chapter, as the final contingent of personnel is withdrawn from Afghanistan.[46] Despite that, there remain reasons for observing peace and security in the Middle East region. The major military action over this period was the resumption of conflict between Israel and Hamas. There were 11 days of hostilities in May, which saw 13 Israeli deaths and at least 256 Palestinian deaths. A ceasefire was reached on 21 May but only lasted until 17 June, when further incendiary balloons and air strikes occurred. This skirmish, combined with events in Syria and the continuing Iran–Saudi conflicts, offers the Army insight into new doctrine, equipment and ideas that will help shape non-traditional concepts. Furthermore, leaving Afghanistan also marks the opportunity for a review of our work there, to help build longer term and high-level lessons for future conflicts and force design.

As the Army prepares itself for the challenges of the future, especially in the context of what is occurring in the Indo-Pacific, it remains critical that it reflect upon conflict elsewhere—especially remembering the lessons from its own commitments to global peace and security over the last two decades.

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45 RUSI, 'The UK's Integrated Review: How does it stack up?, 24 March 2021, at https://www.wired-gov.net/wg/news.nsf/articles/The+UKs+Integrated+Review+How+Does+It+Stack+Up+25032021142500?open

46 Georgia Hitch, 'Scott Morrison announces withdrawal of Australian troops from Afghanistan', *ABC News* online, 15 April 2021 [accessed 22 June 2021]

SUMMARY

- Geostrategic, geo-economic and geopolitical trends continue to exacerbate regional tensions. Although conflict remains a remote possibility, strategic competition within our region will require preparedness planners to be attuned to a variety of risks.
- European powers and the UK are increasingly participating with Indo-Pacific partners. Interoperability planning and collective exercising are likely to increase in importance.
- Although Australian forces will have a diminished presence in the Middle East, the area remains a flashpoint to be observed. It will be important for the Army to support the development of corporate knowledge of its experiences in the region.

Conclusion

This assessment is consistent with other Strategic Assessments in that it provides a depiction of a world undergoing considerable economic, political and strategic changes. The COVID-19 pandemic continues to define the times. Concerningly, as shown in this assessment, it has exacerbated tensions at a global level. Although global and domestic economic performance has improved, escalating debt, inflation, supply chain security and geo-economics pose risks into the future. Geopolitics has been defined by the rise of 'mini-lateralism' as like-minded nations take small group relationships beyond economics and diplomacy to military cooperation. The strategic environment continues to morph with the interplay of powers in strategic competition. These challenges have implications for the Australian Army and its partners no matter what time horizon is being prepared for.

Many commentators have extolled the importance of preparedness and presented a case that what is needed now are 'new narratives' that describe a different way of thinking about Australia and its institutions in a time of tremendous change. Brendan Sargent proposed in a May 2021 paper that a 'more searching questioning of the assumptions that underpin the Australian strategic imagination' is now required so as to develop strategies for the circumstances, and policies for the future.[47] This point of view could also apply to the Army as internal reforms and planning continue apace. Naturally the innovation and adaptability of the Army's people provides an important vector for the Army to continue its evolution into a force that will remain an important contributor to the protection of Australia's national interests.

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47 Brendan Sargent, *Challenges to the Australian Strategic Imagination*, Centre of Gravity Series (Strategic & Defence Studies Centre, Australian National University, May 2021), p. 3.