Australian Army
Research Centre

# Strategic Assessment

## Quarter 1, 2021

*Serving our Nation*

Australian Army
Research Centre

# Strategic Assessment

## Quarter 1, 2021

*Serving our Nation*

All enquiries regarding this publication should be forwarded to the Director of the Australian Army Research Centre.

To learn about the work of the Australian Army Research Centre visit researchcentre.army.gov.au

## What might we expect in 2021?

**2021 is a new year but it arrives with antecedents firmly established and continuing to drive the strategic agenda:**

**Pandemic.** Army must continue to be prepared to support a range of small-scale domestic interventions or support public agencies for discrete tasks (such as staff support for other Government Departments). It is unlikely that a large-scale domestic support requirement as seen in 2020 will be required, although this remains subject to the spread of the virus as Australia relaxes border control and other restrictions. It is also possible that the ADF will be requested to support regional humanitarian initiatives relating to the consequences of the pandemic and vaccination initiatives.

**Economics.** It is reasonable to expect that the growth rate of, and confidence with, the Australian economy will improve. It remains possible that the global macroeconomic situation will compromise Australian economic growth and force the Federal Government to adjust its economic policies. It is highly likely the measure of Defence's reputation will be its ability to achieve planned capability acquisitions given the investment made as part of the Defence Strategic Update 2020.

**Politics.** 'Pandemic-fatigue' and economic insecurity will undoubtedly feature as domestic political issues in 2021, as will the reputation of Governments at all levels to achieve health, economic, foreign affairs and defence, and social goals. The situation is less clear at the global level with the impact of the pandemic, evident social divisions and political insecurity, and the deployment of vaccines key topics. It is possible that US reconciliation with global partners and institutions will positively influence the achievement of a range of goals. It is certain that 2021 will be characterised by domestic instability in regions and nations highly affected by the pandemic.

**Strategic environment.** Australia’s strategic environment will remain unstable. There is potential for an escalation in competition between the US and China if the Biden Administration seeks what it believes to be a restoration of American strategic manoeuvrability, if not primacy, in the region. In any case, there is little sign that strategic competition is diminishing in its scope and scale. The Army, with its conceptual work on issues such as littoral manoeuvre and ‘grey zone’ competition, its international engagement activities, and work within the ADF and alongside Defence and non-Defence partners, will remain important to Australia’s response.

# Contents


| | |
|---|---|
| Introduction | 2 |
| Pandemic | 3 |
| Economics | 7 |
| Politics | 11 |
| Strategic environment | 16 |
| Conclusion | 19 |

# Introduction

**2021 is a new year that arrives with antecedents firmly established and continuing to drive the strategic agenda.** The AARC 2020 Strategic Assessments held, at their core, a view that the events of 2020 were accelerants of existing domestic and international challenges. The 2019–2020 National Bushfire crisis and the COVID-19 pandemic; tensions between US, China and their partners, and many Western nations experiencing social and political division, led the Prime Minister to describe the upcoming decade as ‘uncertain’ and ‘dangerous’. Australia had to explore, test and adjust to address significant changes and challenges. These challenges will continue to influence Army organisational, and potentially operational, decision-making in 2021.

A facet of the purpose of this Q1 Assessment is to provide a succinct summary of issues that may influence strategic decision-making in 2021. It updates information within the three Strategic Assessments presented in 2020, focussing upon the COVID-19 pandemic, economics, politics and the geostrategic environment. The assessment utilises open-source information and commentary from reputable sources.

# Pandemic

Australia has performed well with respect to controlling the extent of COVID-19 transmission within its population. The Lowy Institute recently ranked Australia as having the eighth-most effective response measures to the pandemic.[1] However, Australia's performance in controlling COVID-19 spread contrast sharply with the spread of the virus at a global level. The current confirmed cases of COVID-19 has grown to 102 million (from 66 million in Q4 Strategic Assessment), with 2.5 million deaths globally *(data correct as at 01 March 21)*.[2] COVID-19 spread, including an especially contagious virus strain originating from Africa then the UK, and death rates are growing at an exponential rate. There is no indication of the growth rate approaching a peak number of cases. Globally, the health crisis is much worse than presented at the time of the Q4 Strategic Assessment.

Outbreaks management, whether in Australia or elsewhere in the world, is conditions based. National responses to the pandemic vary due to national health system capacity, tracking and monitoring capacity, culture, political expediency; a variety of influences that have ensured varied levels of COVID-19 suppression as well as many different national plans to offset the spread of the virus. Generally, the 'stringency' of national responses relates to whether national health systems will become overburdened. This was seen with short-lived lockdowns, restrictions and warnings in Australia over the last two months, with swift action to contain – rather than completely eliminate – the spread of the virus. This is likely to characterise the Australian response to any future COVID-19 outbreaks in 2021.

1 Lowy Institute, *Covid Performance Index*, 2020, https://interactives.lowyinstitute.org/features/covid-performance/

2 See World Health Organisation, *WHO Coronavirus Disease (COVID-19) Dashboard*, https://covid19.who.int/, 01 March 2021

Despite recent infections, Australia continues to have a statistically insignificant number of deaths due to COVID. The US is now suffering around 4000 deaths per day, with 400,000 deaths due to COVID-19. On 21 Jan 21, incoming US President Biden suggested the 'worst is yet to come', and told the US population to expect 500,000 deaths due to COVID-19 by the end of February – more deaths than the US experienced in the Second World War.[3] In the UK, where a particularly infectious strain of the virus exists, there are now approximately 1200 deaths per day with Prime Minister Boris Johnson remarking that there as a 'very substantial' risk of intensive care capacity in hospitals being 'overtopped'.[4] This has been followed on 27 Jan 21 with the UK surpassing 100,000 COVID-19 related deaths.

More positively, though 13 million cases of COVID-19 have been recorded in the South-east Asia and the Pacific islands the rate of infection appears to be declining. Strict controls on international travel and other measures have benefitted these nations, as has the involvement of international governmental organisations in supporting Pacific Island nations in their health responses. There is a substantial risk, however, that limited viral tracking capability and capacity has marred the data being collected concerning the spread of the virus. The absence of reliable data on virus spread could impair national decision making and the effectiveness of any control measures used to contain the virus.

Vaccines are being rapidly deployed, with Governments reluctant to institute new lockdowns. Vaccines typically take ten years to be developed, but are now being deployed less than ten months from the initiation of the pandemic.[5] Global supply chains are being reformed to facilitate the movement of large volumes of vaccine; these supply chains are strategically invaluable for nations seeking a quick way out of the crisis. This rapid production of vaccines may offer hope, but there is still debate as to the efficacy of vaccines given the exponential rate of COVID-19 spread. It is possible that, globally speaking, we are overstating the efficacy of vaccines and their ability to end the pandemic (especially when considering the possibly uneven distribution of vaccines amongst nations). This is especially the case as we witness new strains of the virus appear.

3 Ollstein, A. M., Leonard, B. 'Wartime effort: Biden signs orders to fight the pandemic' from *Politico*, 21 Jan 21, https://www.politico.com/news/2021/01/21/biden-10-executive-orders-pandemic-460996

4 BBC News, 'Covid-19: lockdown measures 'starting to show signs of some effect' – PM' from *BBC News*, Online, 13 Jan 21 [accessed 25 Jan 21]

5 https://www.wto.org/english/tratop_e/covid19_e/vaccine_report_e.pdf

Australia's experience of the pandemic has been exceptional in contrast to other regions of the world. The case load in Australia is statistically insignificant, and the nation is fortunate to have well-developed response plans to cater for any outbreaks. Australia will commence vaccinations in March 2021, but the Government has been unable to an accurate timeline for the 'national roll-out strategy' to the public.[6] Priority will naturally be given to 'frontline healthcare' and others associated with Australia's response to the virus.[7] This could include ADF members involved in any support given to the implementation of the strategy or quarantine. The Australian Government is benefitting from lessons learned by other countries with respect to vaccine use. This is important given the propensity of the coronavirus to mutate. That being said, it is reasonable to expect that Australia will not exert the same influence on the vaccine supply-chain to speed the vaccine roll-out from producers as other nations – such as the US and UK – will

It is possible that 'vaccine politics' will influence foreign affairs as availability to vaccines will create a situation where there are 'haves' and 'have nots'. Production of around 2 to 4 billion doses of vaccine will occur in 2021, the majority of these will be deployed in wealthier countries with robust health sectors.[8] The World Health Organisation (WHO) recently commented on the moral and ethical responsibility for wealthy nations to support those less so. This may exacerbate regional and global tensions, offer a vector for nations to influence one another, and could heavily influence Australian humanitarian contributions in 2021.

It is certain that the COVID-19 pandemic will continue to be impactful on Australia, the region and the World throughout 2021. Faster rates of infection will continue to compel Governments across the world to adopt harsher lockdown methods, or expedite vaccination programs, to ensure that the rate of infection is manageable. Nations, at a regional and global level, will likely continue to focus inward; this will have implications for the way in which the Army, and Defence more broadly, contributes to Australian strategic objectives. Defence will need to remain responsive to National

6 The strategy can be found at Department of Health, *Australia's COVID-19 vaccine national roll-out strategy*, https://www.health.gov.au/resources/publications/australias-covid-19-vaccine-national-roll-out-strategy, 14 Jan 21, [Accessed 25 Jan 21]

7 Department of Health, *Australia's COVID-19 vaccine national roll-out strategy*, https://www.health.gov.au/resources/publications/australias-covid-19-vaccine-national-roll-out-strategy, 14 Jan 21, [Accessed 25 Jan 21], p 3

8 World Trade Organisation, https://www.wto.org/english/tratop_e/covid19_e/vaccine_report_e.pdf, p 4

and State-based Heath needs directed by Government, but may also have greater involvement in humanitarian and other assistance missions within the region as the COVID-19 virus continues to spread. Commencement of the Commonwealth's vaccination rollout from late February 2021 means the Q2 assessment will likely be able to offer a clearer perspective.


**SUMMARY**

- The COVID-19 virus will continue to spread exponentially, despite the deployment of vaccines. This is due to the prevalence of the virus in countries that may not enjoy access to vaccines, but also due to the evolution of new strains of the virus.
- Defence may be involved in supporting regional partners in response to health and social consequences of the pandemic.

## Economics

Australia has weathered the economic consequences of the pandemic relatively well. The Q4 Strategic Assessment described the Reserve Bank of Australia's (RBA) cautious optimism about the state of the Australian economy, its resilience and capacity to return to a pre-COVID-19 state of growth. The RBA maintains that GDP growth will resume its prior rate, after the 3.8% drop in 2020, in late 2021.[9] Business confidence has improved, Victoria is 'catching up' to the economic recovery elsewhere in Australia and the trade-war with China has 'actually added to national income rather than hurt it' as the international market for primary products experiences rising prices and increased demand.[10] Some economists – positive about the efficacy of vaccines – see business conditions as booming in late 2021.

The reality remains that positive economic improvements in 2021 are *unlikely* to overcome the damage caused by the events of 2020. Unemployment rates are improving from the July 2020 peak of 7.5%, but the under-employment rate remains stubbornly high and it is unlikely the unemployment rate will revert to its pre-COVID level until 2024. The RBA highlights the pandemic as resulting in a 'substantial increase in labour market underutilisation' with more people seeking greater 'work hours' than employers can resource. Furthermore, the unemployment rate will remain high for 'a number of years.'[11] This situation may impact decisions made by Army members with respect to their categorisation of employment.

9 Statement by Lowe, P., 'Monetary Policy Decision', media release, 01 Dec 2020, [accessed 27 Jan 2021]

10 Richardson, C., Deloitte Access Economics from ABC, https://www.abc.net.au/news/2021-01-18/2021-outlook-australias-economic-recovery-after-covid/13057562

11 Cassidy, N., Chan, I., Gao, A., Penrose, G., 'Long Term Unemployment in Australia' from Reserve Bank of Australia, *Bulletin*, 10 Dec 20, https://www.rba.gov.au/publications/bulletin/2020/dec/long-term-unemployment-in-australia.html [accessed 25 Jan 01]

However, it also speaks to the health of the broader Australian economy and potential second-order effects on Defence.

A large number of risks to the Australian economy remain. Global travel is likely to be constrained for up to five years, placing a significant segment of the Australian economy at risk and impacting the nearly $40B a year international education industry. No material recovery to either is expected until constraints on travel are lifted.[12] Commentators have identified that the higher education industry remains difficult to resuscitate as students prefer not to travel, and meeting the Commonwealth Government's ambition to accelerate the sector's recovery is proving difficult. The crisis has had severe effects on the Australian transportation industry, with aviation especially effected. It is possible that any long-term reduction in industry capacity will influence the resources that the ADF will be able to draw upon for operational use.

There is good reason for Australians to feel positive about the national economy. However, this positivity also means that it is less likely that the Australian Government will need to stimulate the economy. The Australian Government was very willing to borrow money at low interest rates as the RBA launched its 'quantitative easing' program in 2020. It was willing to use this borrowed money to invest in those areas most effected by pandemic related lockdowns, or hard-hit by the 2019-20 drought and bushfire crisis and struggling to recover. Economic stimulus activities, however, cannot last forever and a return to 'normal' financial conditions for Defence is a likely consequence.

Heightening the importance of prudent, timely and effective budgetary management is the fact Defence was one of a few areas of Government that saw investment. The recent Defence Strategic Update shored the Defence budget and, the commitment by Government to ongoing Defence modernisation to meet strategic requirements. As reflected upon in 2020 Strategic Assessments, this commitment can change irrespective of rising strategic tensions within the region. In any case, it remains likely that the funding afforded to Defence will amplify expectations that the ADF makes contributions to Government policy initiatives beyond that which it may otherwise wish to perform. These activities may create preparedness

12 Grozinger, P., Parsons, S., 'The COVID-18 outbreak and Australia's education and tourism exports' from Reserve Bank of Australia, *Bulletin*, 10 Dec 20, https://www.rba.gov.au/publications/bulletin/2020/dec/the-covid-19-outbreak-and-australias-education-and-tourism-exports.html [accessed 25 Jan 01]

risks for the Army, but are essential for its reputation and to validate the investment undertaken in Land Capability over coming years.

The global economy remains highly turbulent; implementation of targeted economic support measures seek to overcome COVID-19 impacts in many countries, compelling many nations to undertake structural reforms. Strategic competition is manifesting in trade conflict, and who the winners and losers of this conflict will be is uncertain. Organisations such as the OECD and WTO are advocating collective action but also highlight the fragility of emerging economies. These organisations emphasise the moral obligation of wealthier nations to assist others in a broad-based global recovery from the most serious shock to the global economy for seventy years.[13]

WTO economists predominantly see downside risks to the global economy with the 'trade impact of the crisis' varying across the globe depending on the strength of economic contractions and the relaxation of lockdown measures.[14] The Asia Pacific Economic Community describes the pandemic as an acceleration of a twenty-year economic decline an Indo-Pacific region fundamental to Australia's security. In the last year, regional economies dropped 2.5% and nearly $2 trillion in total was lost from already struggling economies. This it is possible that global economic conditions will decline further, dragging the Australian economy with it and confounding optimistic economic predictions. This should not be seen as obviating the chance that a 'bounce-back' is possible.

National (and international) economics have always an important driver of Land Capability. It is almost certain that 2021 will present challenges as the reality of the economic pressures plays out in Defence decision making and as the recently announced Defence Transformation Program begins. Army's modernisation agenda will be closely scrutinised for success in delivery, introduction and management of planned new Land Capability. This challenge is likely to endure into the term of next Australian Government (out to 2025).

---

13 OECD, 'The territorial impact of COVID-19: managing the crisis across levels of government' http://www.oecd.org/coronavirus/policy-responses/the-territorial-impact-of-covid-19-managing-the-crisis-across-levels-of-government-d3e314e1/, updated 10 Nov 2020, [accessed 27 Jan 2021]

14 Commentary available at WTO: https://www.wto.org/english/tratop_e/covid19_e/faqcovid19_e.htm; https://www.wto.org/english/news_e/news20_e/stat_18dec20_e.htm

## SUMMARY

- The Australian economy is improving although there are sufficient downside risks to warrant caution. The international economy continues to languish, and will do so out to 2024 according to predictions.
- It is possible the Australian Government will seek greater fiscal restraint in 2021. It can be expected that this will increase expectations upon Defence to use resources effectively and deliver capability as promised.
- Regional stability, economic and human security conditions will continue to decline, increasing the possibility that Australia might need to increase its humanitarian and security commitments.

## Politics

The COVID-19 pandemic tested global and domestic governance at all levels, and in all places in the world. The fear of the large-scale loss of Human life required national-level Governments to embark upon health and economic interventions that were at least as significant as the financial shock encountered during the Global Financial Crisis. However, the urgency of these responses led to the prioritisation of national interests over global outcomes. 2020 was a year of fracturing for globalisation. It saw countries with leaders focussed upon their own needs, and populist and autocratic politics became a feature of pandemic responses and international engagement. Political value came with the ability of political leaders, Governments and international organisations to respond effectively in an unparalleled crisis. Unscrupulous leaders have also leveraged COVID-19 conditions to shore their own political support, continuing the increasing trend of authoritarianism.

Australian Government institutions begin the year with heightened reputations given the effectiveness of Australia's response to the COVID-19 pandemic and other crises. An important subtext to domestic political discussions remains the notion of national 'resilience'; a topic that points to the importance of social cohesion, good governance and the capacity of the nation to direct resources to where they are needed. As reported in the Q4 Strategic Assessment, with around 50% of Australians identifying themselves as feeling 'safe' in a Lowy Institute Poll, it is evident that the Australian population seeks reassurance that Government and its institutions are responsive to their needs.[15] This applies to security at a time of competition between Australia and other nations, but also in terms of

15 Kassam, Natasha, Lowy Institute Poll 2020: Understanding Australian Attitudes to the World (Sydney: Lowy Institute, June 2020).

responses to disaster. Naturally, the importance of Army working to maintain its standing with the Australian public will be important and lend impetus to the evolution of its strategic narratives.

The delivery of the report of the Royal Commission into National Natural Disaster Arrangements to the Australian Parliament on 28th October 2020 was instructive to the heightened expectations of the Australian public on their political leaders.[16] Moreover, and as was described as early as the Q2 Strategic Assessment, this expectation influences what the Australian public demands of the Army, as part of the ADF, in its responses to civil needed. This was described as the balance between 'jurisdiction' (what the Army should be doing) and 'capability' (what it can do). It is likely the concurrency pressures on the ADF will dissipate with reducing direction for support from Government for civilian assistance tasks, but it is also important to reflect upon the increased propensity to seek ADF support. Moreover, the capacity of the ADF to respond will continue have an effect on the reputation of Government and its institutions.

16 See report at https://naturaldisaster.royalcommission.gov.au/

This positive view of governance in Australia can be contrasted with elsewhere the transition of power between the Trump and Biden Administrations is complete and a new tone and pattern of US engagement appears to be emerging.

The US election has highlighted the malleable nature of information, the manipulation of social media by groups and has impacted on the idea of free speech. Post the storming of the Capitol Building, social media companies have abandoned a cautious response to free speech to permanently close accounts and de-link products from a range of applications used to communicate dangerous social messaging. This is a significant move for companies such as Facebook that were highly reluctant to intervene when misinformation in political messaging was evident. It is possible that the way in which politicians use these systems to communicate is at an inflection point, as is the tolerance of the public to behaviour that is, to the majority of the population, anti-social and dangerous. It is also resulting in a rise of encryption and small-group, exclusive, communications.[17]

The Biden Administration has issued interim US National Security Strategic Guidance (3 March 2021), a mere six weeks after the inauguration.[18] The document introduces what shape US foreign policy will take in the 'post-Trump' era. The interim guidance conveys President Biden's vision for how America will engage with the world, and provides guidance for departments and agencies to align their actions as the Administration begins work on a new National Security Strategy (NSS). The new guidance affirms 'non-traditional' security threats such as '…a global pandemic, a crushing economic downturn, a crisis of racial justice and a deepening climate emergency'. And it reaffirms the challenges of '...a world of rising nationalism, receding democracy, growing rivalry with China, Russia and other authoritarian states, and a technological revolution that is reshaping very aspect of our lives'.[19] The tone of the document supports President Biden's reinforcement of commitment to allies, partners and global democratic ideals. A clear intent to forge new approaches with allies, partners and other countries emerges, while the document remains

17 Chau, D., 'Donald Trump supporters embrace Signal, Telegram and other 'free speech' apps' from *ABC News,* 20 Jan 2021 [accessed 27 Jan 2021]

18 See: https://www.whitehouse.gov/wp-content/uploads/2021/03/NSC-1v2.pdf (accessed 10 March 2021)

19 Ibid, p.

largely silent on how the US will substantively engage with what it terms a 'more assertive' China.

Notwithstanding interest in the new US Administration's emerging polices, it is highly likely the US's incapacity to effectively deal with the COVID-19 pandemic, combined with the divisiveness of the recent election, has damaged the reputation of the democratic practices that the US advocates and promotes worldwide. The US has even been termed a 'flawed democracy' by *The Economist's* Intelligence Unit in contrast to other democratic nations including Australia.[20]The recent announcement of the Biden administration's 'Summit for Democracy' doubtless seeks to improve such perceptions, with the interim National Security Guidance asserting 'not only that democracies can still deliver for our people, but that democracy is essential to meeting the challenges of our time'.

This assessment has necessarily focussed upon Australian politics and society, and the most significant transition of the US Government for many years. This should not diminish the attention given to regional domestic politics as well as the ways and means of international governance that will influence how the world responds to the pandemic and strategic tensions in 2021. Regional governments will be challenged by their capacity to respond to pandemic outbreaks and to track community transmission, and will seek international partners to assist with national health outcomes. The region will continue to be geopolitically dynamic, and it remains likely that the Army will contribute to Australia's foreign policy goals through its persistent engagement and experience within the region. Most importantly, and beyond 2021, the region faces secular, long-term, social, political and economic challenges that have been exacerbated by the pandemic; the Asia-Pacific Economic Community noted in November 2020 that the region is in economic decline, domestic political instability is increasing and the standard of living diminishing.[21] It is certain that this will necessitate a continued contribution by Australia to regional stability and leadership in 2021 and the years to come.

---

20 https://www.eiu.com/Handlers/WhitepaperHandler.ashx?fi=Democracy-Index-2019.pdf&mode=wp&campaignid=democracyindex2019

21 APEC; regional economies contracting by a total of $2.5 trillion USD, with unemployment surging 5% in the third quarter of 2020.

## SUMMARY

- Australian government institutions have enjoyed heightened reputations with respect to the way they have responded to successive crises throughout 2020. This applies to the Army and the importance of its narratives and strategic engagement.
- The ADF must continue to be ready to meet an elevated requirement for national support task.
- The Biden Administration's Interim National Security Strategy Guidance, enhancement of the Quad through the inaugural Leader's meeting and planned 'Summit for Democracy' all signal US reinforcement of commitment to previously established norms.
- The Indo-Pacific region will remain dynamic and with many countries facing declining social and political conditions. This increases the likelihood of Australian diplomatic, social and military support being offered to regional partners.

## Strategic environment

The 2020 Strategic Assessment Reports described the steady escalation of rhetoric and geostrategic, economic and political pressure being applied at a global, but more importantly regional, level. The focus of Australia's attention has been on the tensions and pressures associated with an assertive China; tensions and pressures that have also been directed at Australia and have resulted in a variety of requirements for Defence and the Army. However, in an increasingly competitive strategic environment, these challenges are also associated with the actions of alliance partners (for example, the US's position on the defence of Taiwan against China as outlined by the outgoing Trump administration), and have implications for Australian national security and strategic policy. The competition caused by changes in relative power between nations creates uncertainty and will likely lead into a decade of geostrategic change.

Although the economics point to the considerable shifts in Australia's strategic environment, there are a range of other factors that have shifted the capacity of nations to influence others in an increasingly unstable region. The Strategic Assessments of 2020 benefited from research on the changing 'balance of power' in the Indo-Pacific region undertaken by the Lowy Institute.

Analyses of the Index results describes the complexity of the power relationships that define competition within the region, alluding to the reality that there is no surety of advantage, or dominance, by any one party in the region. This applies in the long-term as well as the short. Lowy regarded China and the US as both having diminishing power relative to others, with Australia one of a handful of countries that has avoided the 'race to the bottom' in 2020 and has improved its relative power to others.[22] Importantly, Lowy also firmly describes that though China may become more powerful and assertive, it is unlikely to take the leadership position in the region that other commentators have implied:

> *"China's unchanged overall score — after netting the highest gains in power in 2019 — illustrates both the strengths and limitations of its ascendancy. China leads in four of the eight measures of power: economic capability, diplomatic influence, economic relationships and future resources. But the country delivers inconsistent results in the other measures, with stark strengths and weaknesses. By contrast, US performance in the Index still appears more rounded. China now wields a larger global and regional diplomatic network than any other country. Yet its lead for diplomatic influence has narrowed in the wake of the pandemic and it is increasingly at risk of being overtaken by Japan. This is already evidenced in two of the Index's diplomatic indicators. Beijing's political leadership on the international stage was outranked in expert surveys by Japan globally, and by Singapore in the region. Its adoption of a more strident diplomatic tone – its so-called wolf-warrior diplomacy — and threats of economic coercion against multiple countries appear to have backfired in the eyes of regional policymakers and experts."*[23]

The index highlights that the competition for regional supremacy is far from its conclusion, and it is certain that the US will continue to contest Chinese ascendancy in the region. For all the strengths it may have, China's rise is limited by its demographics and an increasingly international resistance against what is increasingly perceived as regional 'bullying'. Numerous commentators have directly, or at least inferred as much, that 'wolf-warrior' diplomacy and other Chinese activities are less and less tolerated – but are becoming escalatory in the process. As mentioned earlier, economic pressure that has been applied to Australia through a variety of trade restrictions has potentially raised economic costs to China through elevated prices for primary products. This highlights that actions undertaken

22 Lemahieu, H., Leng, A., *Asia Power Index: Key findings 2020*, Lowy Institute, https://power.lowyinstitute.org/downloads/lowy-institute-2020-asia-power-index-key-findings-report.pdf, p7

23 Lemahieu, H., Leng, A., *Asia Power Index: Key findings 2020*, Lowy Institute, https://power.lowyinstitute.org/downloads/lowy-institute-2020-asia-power-index-key-findings-report.pdf, p9

to create strategic advantages may manifest costly and unforeseen outcomes for antagonists. It remains highly likely that competition will continue to be both overt and covert, and will certainly involve all aspects of national power in 2021.

Strategic circumstances certainly necessitate the level of posture, preparedness and capability planning that has been instituted over the last few years. Australia will continue to face significant strategic challenges, and it is likely that these challenges will continue to impress upon the Federal Government the criticality of decision-making on the Army's force posture and contributions to the Australian national security enterprise. There are little signs that 2021 will any less intense from a strategic policy and military preparedness perspective than 2020 as the region adjusts to powerful dynamics and changes.

**SUMMARY**

- It is likely that strategic competition between the US and China will maintain its intensity if not increase during 2021; it is similarly likely that competition between Australia and China will continue during the year.
- It is likely that attempts to coerce will be increasingly resisted by regional states tiring of Chinese 'wolf-warrior' diplomacy. It is possible that this will create strategic escalation as China (and potentially other countries including the US) seek to influence other countries.
- China is likely to improve its relative power in the region across all categories, but it is increasingly unlikely that it will dominate the region geopolitically.

## Conclusion

This assessment sought to provide a succinct assessment of enterprise and strategic challenges seen at the outset of 2021. It continues assessments of the trends, challenges and issues that have been described in the three Strategic Assessment papers of 2020. It provides a non-exclusive list of risks and considerations that might complement other forms of analysis used to inform the Army's enterprise decision making.