The Shaky Foundation of Australian Defence Policy
By Major Cameron Leckie

Introduction
Of all the ways to die on the Western Front during World War I, slowly sinking into a liquid mud filled shell hole would surely have to be one of the worst. As described by Major Fox of the Royal Engineers ‘There was no ground to walk on; the earth had been ploughed up by shells ... so thoroughly that nothing solid remained to step on; there was just loose, disintegrated, far-flung earth, merging into slimy, treacherous mud’.i

Just as the lack of a firm foundation underfoot was a significant factor in the costly failure of the Passchendaele campaign, could the lack of a firm foundation to Australia’s current Defence policy lead to an equally unpleasant outcome for Australia’s future security and prosperity?

The 2016 Defence White Paper (DWP) boldly states that ‘The United States will remain the pre-eminent global military power over the next two decades’.ii This assumption is the foundation of Australia’s Defence policy without which our security and prosperity is argued to be at risk. A little more than a year after the release of the latest DWP and it is becoming increasingly apparent that this foundation is more than a little shaky. Just as so many soldiers drowned in the mud of Flanders, the foundation of Australia’s Defence policy, the United States (US) or more particularly the US’ imperial system, is also sinking into a muddy morass.

The claim that the US is terminal decline will be examined through a centre of gravity analysis of the US imperial system. The consequences of this decline for Australia’s Defence policy will then be briefly discussed.

The exceptional nation
Many Americans consider the US to be exceptional.iii Whilst much of the rhetoric associated with US exceptionalism can be considered as hyperbole the US has indeed been the exceptional nation, particularly since the collapse of the USSR. In a bygone era the US would have been proudly described as an empire; today less emotive terms such as ‘superpower’ or ‘global hegemon’ are used.

A definition of empire is ‘an arrangement among nations, backed and usually imposed by military force, which extracts wealth from a periphery of subject nations and concentrates it in the imperial core.’iv By this definition the US is clearly and undeniably an empire. This is what makes the US exceptional; it is the only empire in the modern world. The role of the US in the international system can only be fully comprehended through the prism of empire.

But where does the US derive the power to maintain the world’s only empire, or in other words, what is its centre of gravity?v The obvious answer maybe its military strength but its centre of gravity is actually the US dollar and its role as the world’s primary reserve currency. Author James Rickards argues that ‘America’s unique military predominance can be maintained only with an equally unique and predominant role for the [US] dollar’.vi
This unique and predominant role has existed since the Bretton Woods agreement of 1944 which established the US dollar as the world’s primary reserve currency. Despite significant challenges along the way, such as abandoning the gold standard, the US dollar still retains primacy in the global monetary system. Reserve currency status has resulted in most international trade being conducted in US dollars, including for critical resources such as oil. Additionally most nations, many sovereign wealth funds and companies have invested deeply in US Treasury bonds which are viewed as a safe and liquid investment.

Reserve currency status has been an enormous benefit to the US, having other nations funds its ever increasing budget deficits and a global empire with seemingly no consequence. Reserve currency status also provides the US Government with enormous power over other nations, companies and individuals through actions such as sanctions.

Whilst the US has maintained the centrality of the US dollar in international finance for more than seventy years, using military force where necessary, there are mounting and accelerating indicators that suggest that the days of the US dollar as the world’s reserve currency are numbered. The unavoidable consequence of the US dollars decline is the end of the USs imperial system and subsequently the foundation of Australia’s defence policy.

**The four pillars of Empire**

Four pillars have been identified that protect the US dollars reserve currency status. These pillars are military dominance, information dominance, economic dominance and supportive client states. Whilst dominance is maintained in these areas then the US can maintain its position as the ‘exceptional nation’. An objective analysis indicates however that each of these pillars is reaching critical state conditions.

**Military dominance**

The US with the largest military budget by far, hundreds of overseas bases and the full spectrum of capabilities clearly has the most powerful military in the world. It is also the only military that can apply significant force at any point or area on the planet. US military dominance has enabled it to pursue foreign policy objectives through either the actual or threatened use of military force as demonstrated in numerous instances including Yugoslavia, Iraq, Afghanistan and Libya.

There is good reason to believe however that the era of global US military dominance is over. Indeed a recent US Army War College report concluded that the US is now operating in a ‘post primacy world’. The cost of maintaining its military, capability overmatch by potential adversaries, outdated military technologies and a growing array of potential adversaries with the will and capability to resist the US are some of these reasons.

No other nation has ever aimed for the level of global military domination that the US has, as encapsulated in the Wolfowitz doctrine. To achieve such dominance is enormously expensive. Despite enjoying the most lavish funding of any military, the US military still suffers from serious capability deficiencies such as pilot shortages and structurally inadequate maintenance and training within the US Navy. These deficiencies are exacerbated by poor financial management by the Department of Defense, the enormous costs associated with operating hundreds of overseas bases and a procurement system with a history of cost overruns and expensive but cancelled programs.
A comparison of purchasing parity of a Chinese yuan or Russian rouble against the US dollar suggests that these two countries get a lot more bang for their yuan or rouble than the US does for its dollar.

Even with this enormous military expenditure potential adversaries have achieved parity if not overmatch in a number of capability areas. This is particularly the case with the Russian military in areas such as air defence, artillery, cruise missiles and electronic warfare\textsuperscript{\textit{xv}}.

The US continues to invest heavily in military technologies that are unlikely to survive in a conflict against potential adversaries such as China, Russia or even Iran\textsuperscript{\textit{xvi}}. The primary example is the aircraft carrier. The position of the aircraft carrier is analogous to that of the battleship before World War Two; ‘big, expensive, vulnerable – and surprisingly irrelevant to the conflicts of the time’\textsuperscript{\textit{xvii}}. With the proliferation of long range anti-ship missile systems, such as China’s DF-21D and Russia’s Kinzhal hypersonic missile, ‘the risk of a carrier suffering a mission kill that takes it off the battle line without actually sinking it remains high.’\textsuperscript{\textit{xviii}} Arguably much of the US’s force projection capability is but one seriously damaged or sunken aircraft carrier away from being rendered obsolete.

The US now faces a range of potential adversaries with both the ability and will to resist the US. Whilst no direct confrontation has yet developed, China’s ability to establish bases in the South China Sea and Russia’s success in Crimea, Ukraine and Syria are all indicators that point to an increasing confidence in these nations ability to achieve strategic objectives that are counter to US interests. China and Russia are becoming ever increasingly aligned in what has been labelled a comprehensive strategic partnership.\textsuperscript{\textit{xix}} This strategic partnership is a significant restraining force on US freedom of action against countries such as Syria, Iran and North Korea. Whilst neither of these countries have the capability, or desire, to threaten the US mainland, they both have the ability within their respective regions of influence to effectively resist, defeat, or make the costs of military action so high that it severely limits the military options available to the US.

**Information dominance**

The US has maintained a dominant narrative that portrays the US as the leader of the free world for many decades. It has a formidable media apparatus to support this narrative with globally important media outlets such as the Washington Post, New York Times and CNN being largely supportive of, if not actively cheerleading, US foreign policy. Whilst in the past this combined grouping has been very effective in maintaining the dominant narrative it now faces a very significant problem; that of credibility.

Whilst corporate media coverage of topics such as the alleged Russian interference in the 2016 Presidential elections provide a snapshot of the internal credibility issues that the US faces, the loss of the Empire’s external credibility is far more important. It is increasingly apparent, particularly to potential adversaries, that the US is unreliable, untrustworthy, hypocritical and most importantly, its Empire is in decline.

The US has a long history of acting in a manner that undermines its trustworthiness. From commitments to not expand ‘NATO one inch to the east’\textsuperscript{\textit{xx}} to threats of decertifying the Joint Comprehensive Plan of Action (JCPOA) with Iran (despite all other international parties agreeing that Iran is complying with its requirements under the agreement) the US has earned a reputation amongst rivals, potential adversaries and even allies that it cannot be trusted as demonstrated by Russian officials who assess that the US is ‘not agreement capable.’\textsuperscript{\textit{xxi}}
Added to the trust and reliability concerns is the hypocrisy with which potential rivals view US foreign policy. Where Crimean independence (and subsequent accession to Russia) is viewed in the West as illegal, Russia cites the US and Western supported independence of Kosovo as being a precedent. Where Russian and Syrian bombing during the clearance of Aleppo is claimed to be a barbaric crime against humanity there is virtual silence on the number of civilian casualties from US and Iraqi bombing of Mosul. Where Russia has lawfully deployed troops to Syria at the request of the Syrian Government the US has no such authority to deploy troops in Syria indicating that its deployments are illegal under international law.

These concerns have real impacts on the behaviour of potential rivals as the US cannot be considered an honest broker. For example it is entirely unrealistic to expect that the North Korean Government would give up its nuclear weapons after observing what has to countries such as Iraq and Libya who surrendered their weapons of mass destruction. The often short sighted inability of the US to maintain agreements or negotiate in good faith, particularly with potential rivals, ‘dooms United States foreign policy’ according to a former US ambassador.

A growing list of US foreign policy failures is also reinforcing the view amongst potential rivals that the US Empire is in decline. From Afghanistan (the longest US war with no successful conclusion in sight), to Iraq (aligned to Iran), Libya (the richest nation in Africa turned into a failed state that is a haven for terrorist groups), Syria (the Syrian Government and its allies approaching victory), Ukraine (Crimea returned to Russia, Ukraine increasingly corrupt and dysfunctional), Iran (increasing influence across the Middle East), Turkey (increasingly pro-Russian), the South China Sea and North Korea (continued development of nuclear weapons and ballistic missiles), the US seems incapable of achieving foreign policy success. With each new setback the resolve of potential adversaries hardens and their actions emboldened whilst the outcomes become increasingly inimical to the US.

There is growing awareness in many non-Western nations that the US Empire is in decline. Across the Middle East, all roads now seemingly lead to Moscow, not Washington. Even previously staunch US allies such as Egypt and Turkey (and Saudi Arabia to a lesser extent) are increasingly engaging with if not aligning to Russia. The US is being left out of major diplomatic negotiations such as the trilateral talks between Russia, Iran and Turkey on the future of Syria which has effectively sidelined US and Western led initiatives.

It is becoming increasingly difficult for the US to maintain its preferred narrative. Whilst the rhetoric emanating from the US is becoming increasingly shrill towards potential rivals, much of the rest of world can see that the US is no longer the dominant power that it once was.

**Economic dominance**

The US significantly benefited from having the world’s largest economy for the majority of the twentieth century. Its share of the world economy is however in long term decline, falling from 27 per cent in 1950 to around 15 per cent today. The relative size of the US economy will continue to decline with the Australian Government forecasting that by 2030 the Chinese economy will be significantly larger than that of the US. Clearly the US, whilst still an important economy, is not and more importantly will not be the dominant economic power that it once was.

Whilst the Australian Government assesses that the US will remain the wealthiest country in the world with the world’s deepest financial markets, there are multiple reasons to suggest that such
an assessment is likely to be optimistic at best. Despite a range of current positive economic indicators any objective analysis of the US economy indicates that it is at best fragile.

Exhibit one is the devastation of the US middle class, what was once America’s greatest asset. This devastation is no accident; it has occurred as a result of a series of deliberate policy decisions made over decades that have benefited the wealthy at the expense of the middle class. This is evidenced by the earnings for median income workers remaining stagnant for 40 years, with all of the growth in wealth being redistributed to high income earners. Commentators are now arguing that the US has not one but two economies; one for the rich and one for the poor. This ongoing trend does not bode well for either political stability or a strong economy in the future.

Exhibit two is the extreme level of private, corporate and government indebtedness. Credit card debt, student loan debt, car loans and mortgage debt have all increased exponentially for decades and far in excess of the rate of GDP growth. According to the Congressional Budget Office (CBO) US Federal Government debt will increase from 77 per cent of GDP to 150 per cent in 2047 whilst budget deficits will increase from 2.9 percent to 9.8 per cent.

Exhibit three is the ongoing life support provided to the US economy, life support that disproportionately benefits large corporations and financial institutions, by the US Federal Reserve and other central banks. Nearly ten years after the Global Financial Crisis 2017 set a record for the most, figuratively speaking, ‘money’ ever printed. This is not a sign of a healthy US, nor for that matter global, economy.

Whilst there are other exhibits, such as the misuse of statistics to portray a positive yet misleading economic situation and overhyped claims of looming energy independence; the last and most critical exhibit is de-dollarisation. De-dollarisation refers to nations and financial institutions implementing alternatives to the US dollar. China, Russia, Iran, Venezuela and Eurasian Economic Union nations have all implemented alternatives to the US dollar. Saudi Arabia, India and Pakistan are amongst other countries considering adopting alternatives to the dollar. China, the world’s largest oil importer, has recently introduced a gold backed ‘petroyuan’ in direct competition to the US dollar’s dominance in the oil trade. The de-dollarisation trend appears set to rapidly accelerate and will likely have catastrophic detrimental effects on the US and in particular the ability (or inability) of the US to fund its debt.

For a nation that has extreme levels of inequality, that is literally drowning in debt across all facets of society and can no longer fund its own debt without consequence it is difficult to avoid the conclusion that the long term economic future of the US will be more akin to that of a country such as Greece than of a major global economic power.

Supportive client states
Part of the architecture of any imperial system is that of supportive client states. The role of client states, to describe it directly but somewhat crudely, is to support ‘the empire in exchange for a share of the spoils.’ In the case of the US imperial system these client states include most of Western Europe, Japan, South Korea, Israel, United Kingdom and Australia. The US has also benefited from strong, albeit sometimes troubled, relationships with other nations such as the Philippines, Pakistan, Turkey, Saudi Arabia, Qatar and Egypt. In return for supporting US policies and hosting US bases these nations have benefited from the ‘spoils’ of empire in a multitude of ways from security
alliances and guarantees to access to intelligence and military technology as well as economic and diplomatic advantages. There have been numerous indicators in recent times to suggest however that the US relationships with an increasing number of these countries are fraying.

The reasons may vary from country to country but the underlying causes are largely the same; a widening divergence of interests combined with an increasing imbalance in the costs and benefits of supporting US policies. What is surprising is how rapidly some of these relationships have deteriorated noting that many of the changes that have occurred would have been unthinkable only a few years ago.

Sanctions have long been a favoured tool of US foreign policy. Whilst the success of economic sanctions against target countries is in most cases unsuccessful, what is becoming clear is that US led sanctions are in some cases having a greater impact on allies than the target nation. A prime example is the impact of joint US and EU sanctions taken against Russia since 2014. A report from a UN Special Rapporteur indicates that the cost of these sanctions had twice as much impact upon Europe (a $100 billion loss) than Russia ($55 billion loss) whilst having virtually no effect upon the US. Some European nations are also questioning the motives of US sanctions as it becomes increasingly apparent that sanctions are primarily used to create an economic advantage to the US; such as attempting to replace cheap Russian gas with expensive US gas.

The domestic political considerations of traditional allies are also being impacted by the actions of the US; the European refugee crisis being a case in point. A direct causal link to this crisis can be made from US led and/or supported interventions across the Middle East such as Iraq (invasion and occupation), Libya (supported overthrow of existing Government) and Syria (funding, arming and supporting various ‘opposition groups’). Just as sanctions against Russia have had insignificant impacts upon the US neither has the European refugee crisis. This is in sharp contrast to the impact upon Europe where tensions between EU nations and the rise of far left/far right and authoritarian political figures have resulted. These changes can at least in part be attributed to the refugee crisis.

The relationship of the US is becoming increasingly antagonistic with countries such as NATO member Turkey, the Philippines and Pakistan. Allies are also demonstrating a growing independence in foreign policy such as South Korea’s stance towards North Korea. These examples highlight that the influence of the US over many of its client states is declining. Indeed in comparison to the economic initiatives of Russia and China which aim to build mutually beneficial economic, diplomatic and strategic ties between nations, the US role in international affairs is becoming unmasked as that of a spoiler. This is a sure sign of an empire in decline.

Conclusion
The four interlinked pillars that have underpinned the US imperial system for over seventy years are under a great degree of stress. Sooner or later one or more of these pillars will reach a critical state beyond which the whole edifice will collapse. At that point the US will be but a shell of the ‘exceptional’ nation it once was. This should be of great concern to Australia which has premised so much of its security on the US maintaining its previously unassailed position as the global hegemon.

Empire, like all human endeavours, is subject to the law of declining marginal returns. Observing current events in the US highlights the impact of this law. In a desperate attempt to maintain the status quo, the current administration is doubling down on military expenditure and the threat or
use of military force; at the same time as US actions are demonstrably less effective around the world. This is an extremely dangerous time in international affairs as the old order transitions to a new and yet to be fully determined order. Australia has a great deal to win, or lose, in this transition.

As the foundation of Australia’s Defence policy waivers, at what is a rapid pace for events of this nature, it is well past the time that Australia considers a future where the US imperial system is not at the heart of the international order. Rather than treating this change as a threat it should be viewed as a once in a century opportunity to redefine Australia’s position in the international order. Australia’s choice is as clear as it is difficult; either sink into a muddy morass with a declining empire or redefine our defence and foreign policy on our own terms within the emerging global order.

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5 The Australian Army defines the centre of gravity as that ‘characteristic, capability or locality from which a force, nation or alliance derives its freedom of action, strength or will to fight.’