



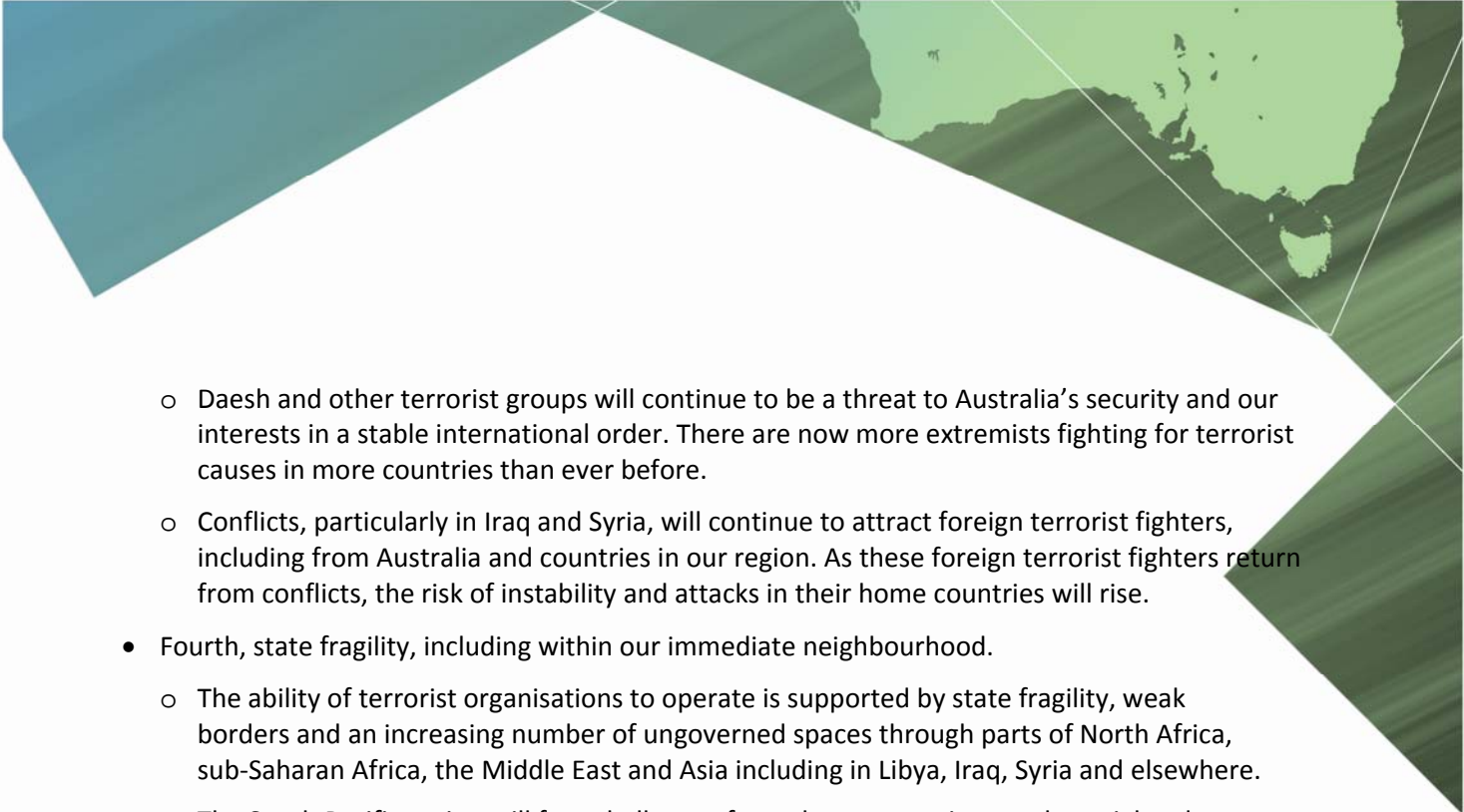
Strategic Outlook

Australia will have tremendous opportunities for greater prosperity and development over the coming decades, but at the same time will face complex security challenges and greater uncertainty in our strategic environment. Our region, the Indo-Pacific, is in a period of unprecedented transformation as the distribution of economic and political power shifts to our region.

Strategic Drivers Shaping Security Environment to 2035

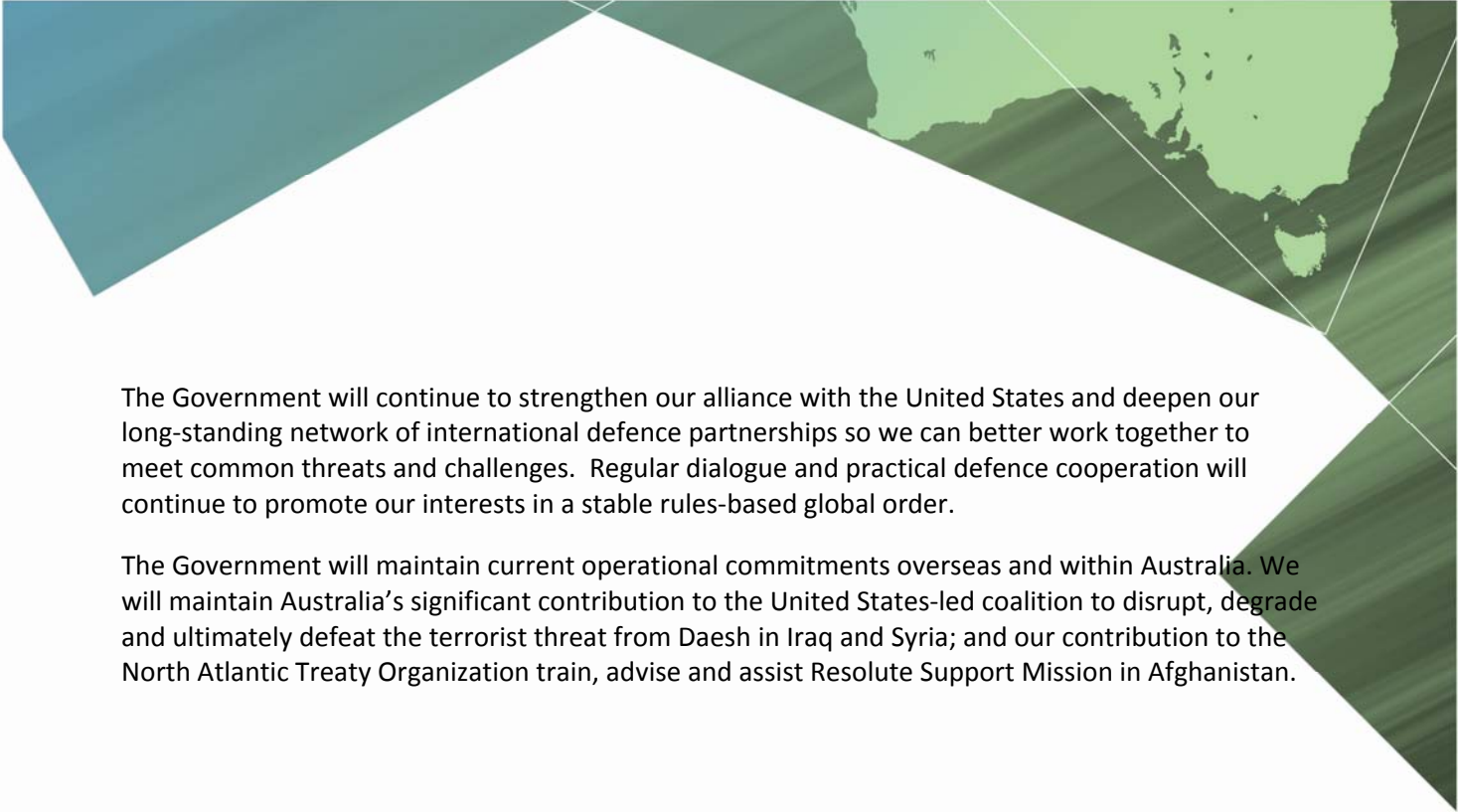
The 2016 Defence White Paper is underpinned by a comprehensive assessment of Australia's long-term strategic outlook. The White Paper highlights **six** key drivers that will shape the development of Australia's security environment to 2035.

- First, the relationship between the United States and China, which is likely to be characterised by a mixture of cooperation and competition.
 - The United States will remain the pre-eminent global military power over the next two decades and will continue to underpin the stability of our region. The world will continue to look to the United States for leadership in global security affairs, and to lead military coalitions that support international security and the rules-based global order.
 - The growth of China's national power, including its military modernisation, means China's policies and actions will have a major impact on the stability of the Indo-Pacific to 2035.
 - A constructive relationship between the United States and China, which the Governments of both countries have publicly committed to, will be central to maintaining security and prosperity in the Indo-Pacific region into the future.
- Second, challenges to the stability of the rules-based global order.
 - Australia's security and prosperity relies on a stable, rules-based global order that supports the resolution of disputes through peaceful means, facilitates free and open trade, and enables unfettered access to the global commons to support economic development.
 - The framework of the rules-based global order is under increasing pressure and has shown signs of fragility. Rules for the global commons of the high seas, cyberspace and space will continue to be challenged by states and non-state actors, leading to uncertainty and tension.
 - It is important that the existing rules-based global order be able to adapt and respond to these challenges. The coercive use of economic or military power can diminish the freedom of countries such as Australia to take independent action in our national interest.
- Third, the growing threat from terrorism and foreign terrorist fighters to Australia's security.

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- Daesh and other terrorist groups will continue to be a threat to Australia's security and our interests in a stable international order. There are now more extremists fighting for terrorist causes in more countries than ever before.
 - Conflicts, particularly in Iraq and Syria, will continue to attract foreign terrorist fighters, including from Australia and countries in our region. As these foreign terrorist fighters return from conflicts, the risk of instability and attacks in their home countries will rise.
 - Fourth, state fragility, including within our immediate neighbourhood.
 - The ability of terrorist organisations to operate is supported by state fragility, weak borders and an increasing number of ungoverned spaces through parts of North Africa, sub-Saharan Africa, the Middle East and Asia including in Libya, Iraq, Syria and elsewhere.
 - The South Pacific region will face challenges from slow economic growth, social and governance challenges, population growth and climate change.
 - It is crucial that Australia help support the development of national resilience in the region to reduce the likelihood of instability.
 - Fifth, the increasing pace of military modernisation in our region.
 - Asia's defence spending is now greater than Europe's.
 - Military modernisation in our region is underpinned by very positive economic transformation. While military modernisation will not be directed against Australia, it will mean that the defence capability edge we have enjoyed in the wider region will diminish.
 - In the next 20 years, half of the world's submarines and at least half the world's advanced combat aircraft will be operating in our region.
 - Sixth, increasing security threats in cyberspace and space.
 - The cyber threat to Australia is growing. It represents a real and present risk to the Australian Defence Force's (ADF) warfighting capability, and our national security and economic prosperity both in peacetime and during armed conflict.

The White Paper highlights that Australia's security and prosperity will continue to be tied directly to the security and stability of our region and the maintenance of a rules-based global order. The Government is building the highly capable force we need to protect our security and prosperity and respond to strategic challenges over the coming decades - delivering a future ADF that is potent, agile and ready to respond wherever our interests are engaged.

The Government has directed that Defence adopt a more active role in shaping Australia's security environment, including through increased international defence engagement. An ADF with higher levels of preparedness will be able to better respond to strategic developments that threaten Australia's interests where the Government requires a military response.



The Government will continue to strengthen our alliance with the United States and deepen our long-standing network of international defence partnerships so we can better work together to meet common threats and challenges. Regular dialogue and practical defence cooperation will continue to promote our interests in a stable rules-based global order.

The Government will maintain current operational commitments overseas and within Australia. We will maintain Australia's significant contribution to the United States-led coalition to disrupt, degrade and ultimately defeat the terrorist threat from Daesh in Iraq and Syria; and our contribution to the North Atlantic Treaty Organization train, advise and assist Resolute Support Mission in Afghanistan.