

# The Risk of Major War in the Indo-Pacific - Key Issues for the Allies



The background features two large, black silhouettes. On the left is a dragon, shown in profile with its mouth open, revealing sharp teeth. On the right is an eagle, shown in profile with its wings spread. The two silhouettes are positioned as if they are facing each other, with the dragon on the left and the eagle on the right. The overall composition is symmetrical and evokes a sense of confrontation or conflict.

ROSS BABBAGE

# THE NEXT MAJOR WAR

Can the US and Its Allies  
Win against China?

URL: [cambriapress.com/NextMajorWar](http://cambriapress.com/NextMajorWar)

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**Chapter 5: The Economic Context for Major War**

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## Structure of this Presentation - Six Driving Issues

**Issue #1 – The serious risk of major war.**

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**Issue #3 – America's approach to major war in the Indo-Pacific and its strategic weakness at home.**

**Issue #4 - What kind of war is most likely?**

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**Issue #6 - What are the key issues and options for the U.S. and its allies?**

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## **Issue # 1**

**The serious risk of major war.**

# The Serious Risk of Major War

- China and the US are at loggerheads over the future of Taiwan.
- Xi Jinping is determined:
  - “We will never allow anyone... at any time to separate any part of Chinese territory from China!”
  - “..complete reunification of the motherland must be fulfilled and definitely will be fulfilled.”
- Very rapid military build-up. Announced defence spending now 7.2% of GDP.
- Mobilization laws recently updated and mobilization exercises now routine.
- Junior PLA general who led Taiwan contingency planning is now one of Xi’s two most senior military advisors.
- China’s development programs now give equal, and sometimes higher, priority to security and defence needs. Xi calls it: “integrating national strategies and strategic capabilities.” The economic cost of this has been huge. Probably 1-2% of GDP each year.
- Frequent penetrations of Taiwanese air and sea space.



J 16s











U.S. Arleigh Burke-class destroyer



Impact Crater

Building targets

Moored ship targets



# Other Reasons Why Risk of Major War is High

- China's ongoing intense cyber, information warfare and subversion campaigns against Taiwan and in tailored forms against the United States, Japan, Australia and most other allies and partners.
- In May 2023 Xi told his National Security Commission to be ready for "dangerous storms" and the "most extreme scenarios."
- Two weeks ago Xi ordered the Central Commission for Reform to: "..adhere to bottom-line thinking and extreme scenarios thinking."
- The Director of the CIA has told a Congressional committee that Xi Jinping has ordered the PLA to be fully ready to conduct an assault on Taiwan by 2027.
- In the face of these very active Chinese preparations President Biden has been asked four times since his election whether, in the event of a Chinese military attack on Taiwan, America would commit military forces to fight.  
Each time Biden replied without hesitation that US forces would fight to defend the island.

Key Conclusion: War is not inevitable. But it is a very serious risk.

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## **Issue # 2**

**Xi Jinping's outlook in considering a major war.**

# Understanding the Operating Environment







**Second Island Chain**

**First Island Chain**

PHILIPPINE SEA

SEA OF JAPAN

EAST CHINA SEA

SOUTH CHINA SEA

SULU SEA

Honshu

Shikoku

Kyushu

Okinawa

Miyako Gap

Taiwan

Fujian

Shanghai

Hong Kong

Hainan

Luzon

Palawan

Spratly Islands

Paracel Islands

Mindanao

Borneo

Iwo Jima

Rota  
Tinian  
Salpan

Palau

Lombok Strait

Sunda Strait

Malacca Strait

Darwin

Beijing

# Xi Jinping's Primary Goals in Recent Years

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1. Maintain uncontested Communist Party rule.
2. Achieve the 'China dream' of becoming the dominant power in the Indo-Pacific and eventually surpass the power of the United States.
3. Reinforce domestic support for the regime and undermine, weaken, corrupt and divide the West.
4. Strengthen China's self-reliance and build resilience to be able to fight and sustain an extended war with minimal foreign support.
5. Complete 'national rejuvenation' by seizing Taiwan.
6. Export the regime's model of authoritarian political control combined with a relatively open economy to developing and other like-minded states.



# Xi Jinping's Primary Goals in the "New Development Phase"

1. National (and regime) security, which includes not only national defence but also control of data, self-reliance in technology and industrial production and tighter party control of corporations.
2. Common prosperity – aiming to curb domestic inequalities.
3. National stability – tamping down discontent and prevention of serious domestic dissent.

**NB. Economic growth is needed for economic and political stability but fast economic growth is no longer a driving priority.**

# What Keeps Xi Jinping Awake at Night?

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- Regime (and his personal) security
- Black swans
- Gray rhinos

# China's Demographic Challenges

- Largely as a result of the long-running one-child policy, workforce numbers are falling and the decline is accelerating:  
45m workers lost by 2030 and ~200m lost by 2050.
- Total population has now peaked and is expected to fall steeply.
- Fertility rate is exceptionally low - less than half replacement level.
- Seriously distorted gender balance.
- Rapid ageing. By 2040 a quarter of a billion people aged over 50.
- Rapid ageing means social costs will rise steeply.
  - In 2016 7 workers to support each senior.
  - In 2030 4 workers to support each senior.
  - In 2050 only 2 workers to support each senior.
- Premier Li said that 600 million Chinese still live on less than US\$160 per month.

# China is Aging Rapidly

## China's ageing population

Population by age and sex (million)

Men Women



# Economic and Technological Challenges

- China's economy represents ~19% of global GDP.
- China's economic growth rate is now about a quarter that in 2007.
- Steady official growth rate is around 4.5%. Real rate is probably around 3.5% and this is the average rate assumed across the 2021-2024 five year plan - all artificially supported by loose credit, vast subsidies, etc.
- China's aggregate debt is now about 335% of GDP. Interest owed each year is now more than double the GDP growth rate.
- Productivity growth has now fallen to 1%PA or lower, with China losing its competitiveness in some manufacturing and other sectors.
- China's economy remains heavily dependent on imported energy, key resources and technologies.
- Regime is reducing international economic exposure and pushing for self-reliance.
- Xi is investing heavily to dominate key high-tech sectors but now faces strong international headwinds.
- Trade as a % of GDP has more than halved since 2006 and investments overseas have been cut by 40% since 2016.

# The State of the Party (CCP)

- The regime's ambitions are undiminished but its sense of insecurity is rising.
- Xi has markedly tightened domestic controls, eg.
  - 400+ million CCTV cameras.
  - Social Credit system.
  - Great Firewall of China.
- But Xi appears to have won indefinite tenure – at least for now.
- Tightening of Party control, stricter business regulations and the regime's aggressive international behaviour have generated elite unease. China now has new instabilities.
- Xi's incentives to undertake nationalist adventures are growing.



# China's Strategic Culture

All senior CCP leaders have championed key conclusions of Lenin's study of Clausewitz:

- 'If war is politics by other means, then politics can be war by other means'.
- The boundary separating war and politics is permeable.
- 'War' can embrace continuous information/influence campaigns and other non-kinetic operations right through to major kinetic combat. War is a continuum and requires employment of a very wide range of instruments – far more than just military forces.

Mao Zedong applied this logic as he developed his concepts of People's Revolutionary War and then major conventional war.

Mao's *On Protracted War* has been revived in the last decade and is now at the core of most of China's current security planning.

# The Political and Hybrid Warfare Toolkit Already in Use

## Five Key Sets of Instruments:

1. Information/influence/undermining operations – diplomacy, united front, propaganda, cyber operations, subversion, political disintegration operations, etc.
2. Geostrategic instruments – technology, visit diplomacy, Belt and Road, strategic partnerships, etc.
3. Economic instruments – to win advantages, to build dependencies and to coerce. But flows of money overseas have fallen steeply since 2016.
4. Military and para-military instruments.
5. Legal and para-legal instruments.

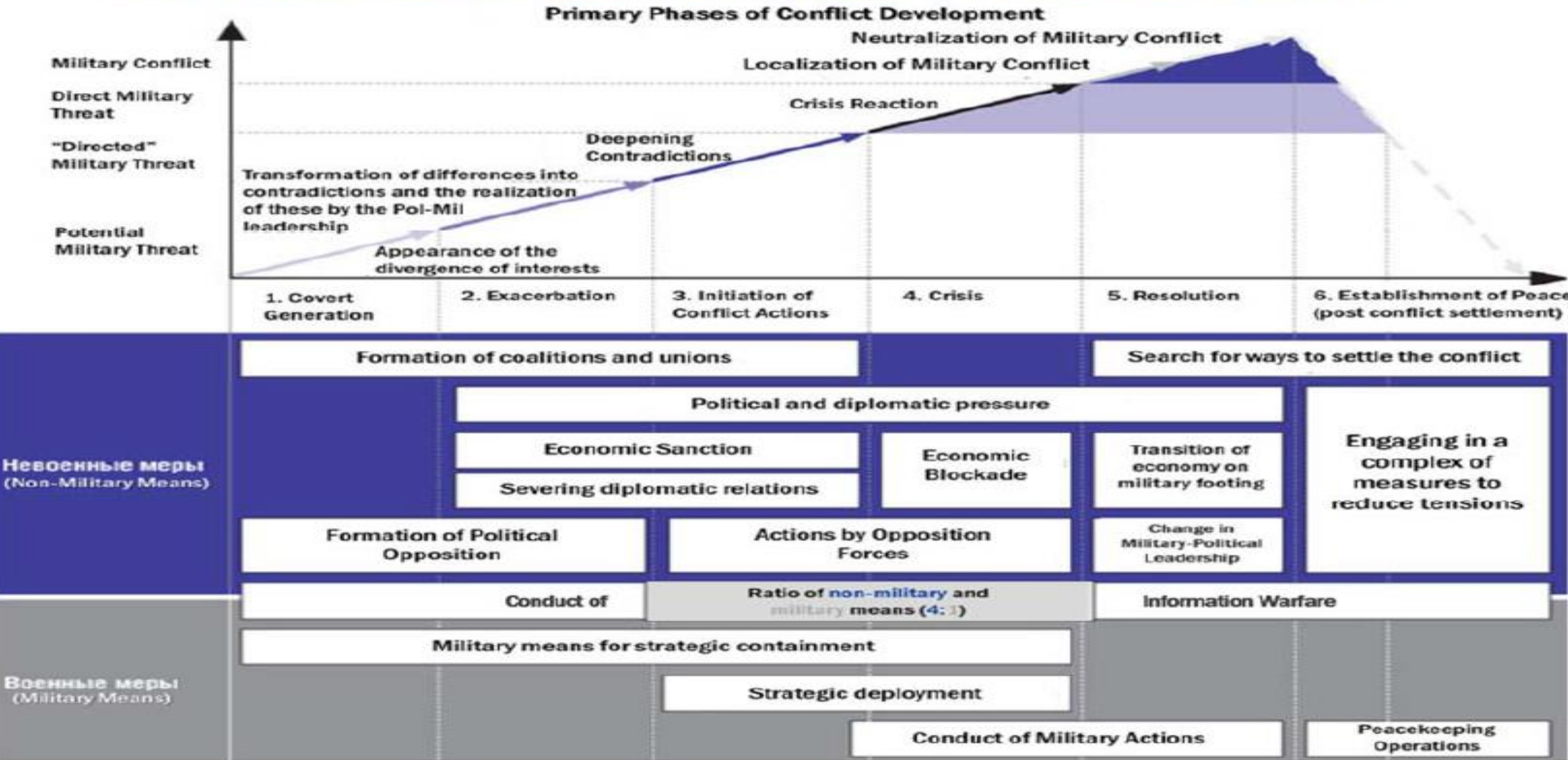
# China's Focus on Four Primary Phases of Major War

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- Phase #1** Non-kinetic political/influence/disintegration and hybrid operations to weaken enemies and shape the security environment. This is happening now.
- Phase #2** Heavy kinetic strikes by major power combatants – over 1-5 weeks.
- Phase #3** Extended medium-intensity kinetic and attrition war.
- Phase #4** Longer-term attrition and asymmetric hostilities.

# Summary of the Gerasimov Model

## ROLE OF NON-MILITARY METHODS IN RESOLVING INTER-GOVERNMENTAL CONFLICTS



# Nine Features of China's Planning for Future War

1. Determined leadership prepared for a protracted conflict and willing to take risks.
2. Planning option of intensified political and hybrid operations to win advantages prior to kinetic operations.
3. When kinetic operations start, Beijing plans extensive subversion and sabotage in priority foreign countries.
4. Strategic and operational surprises are likely in several domains.
5. Planning multi-domain campaigns waged on an exceptionally large canvass – way beyond DIME and DIMEST.
6. Planning a succession of surprise military offensives of short duration to impose high human, resource and political costs. (Active Defence)
7. Selected strikes in depth to force the allies to defend in depth and foster war weariness.
8. Xi is in a hurry and considers that China's 'window of opportunity' is closing this decade.
9. **For the Chinese, the currency of victory is political.**

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## **Issue # 3**

# **America's Approach to Major War in the Indo-Pacific and its Strategic Weakness at Home**



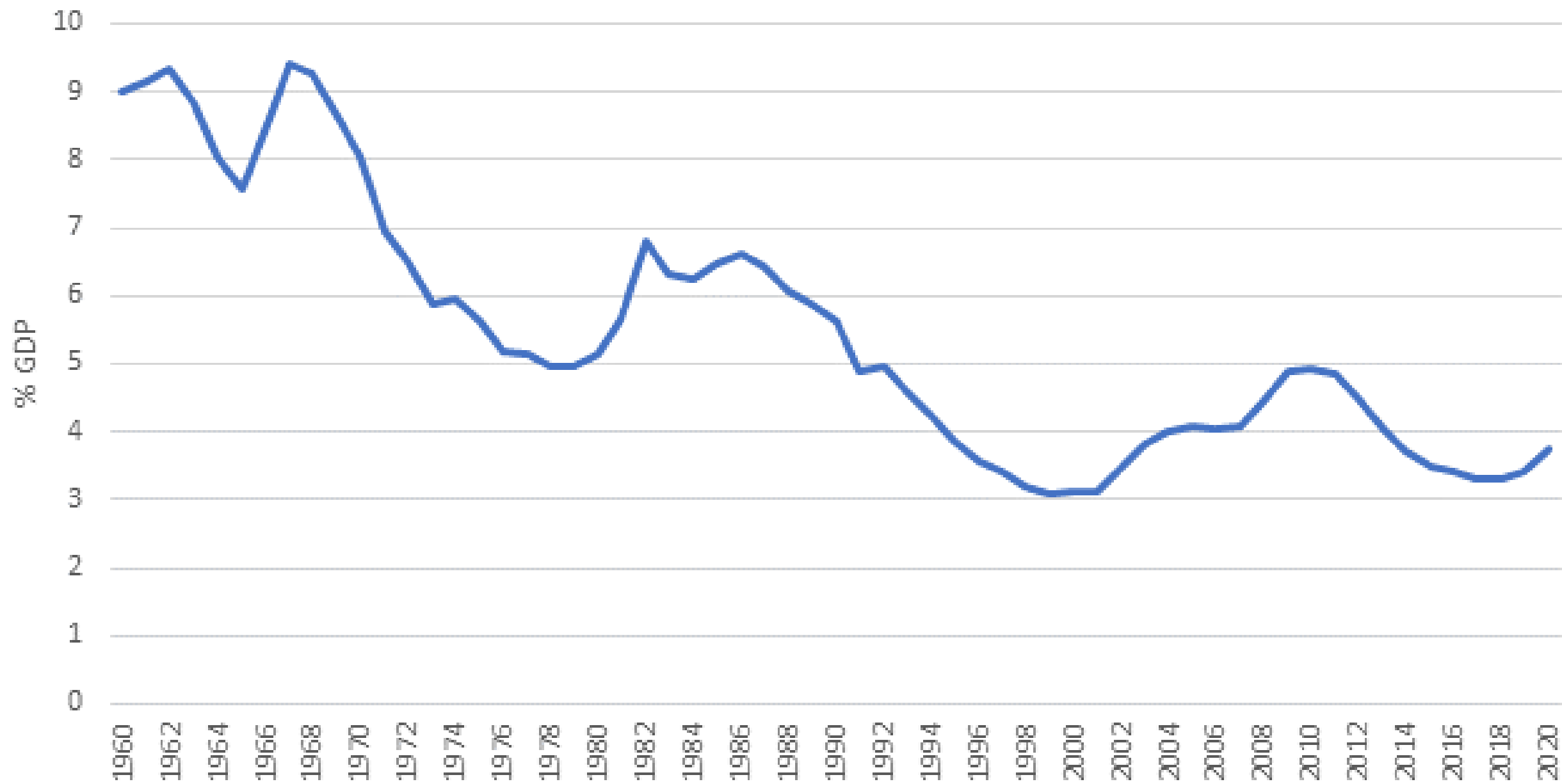
## Seventeen Key Indicators (1)

1. Geography, history and strategic culture.
2. America's strategic interests, values and ideology.
3. A strong, innovative economy.
4. Technological leadership.
5. Demographic and educational strength.
6. Strong alliance network.
7. American dominance of theatre's exterior lines.
8. Strategic nuclear deterrence.

## Seventeen Key Indicators (2)

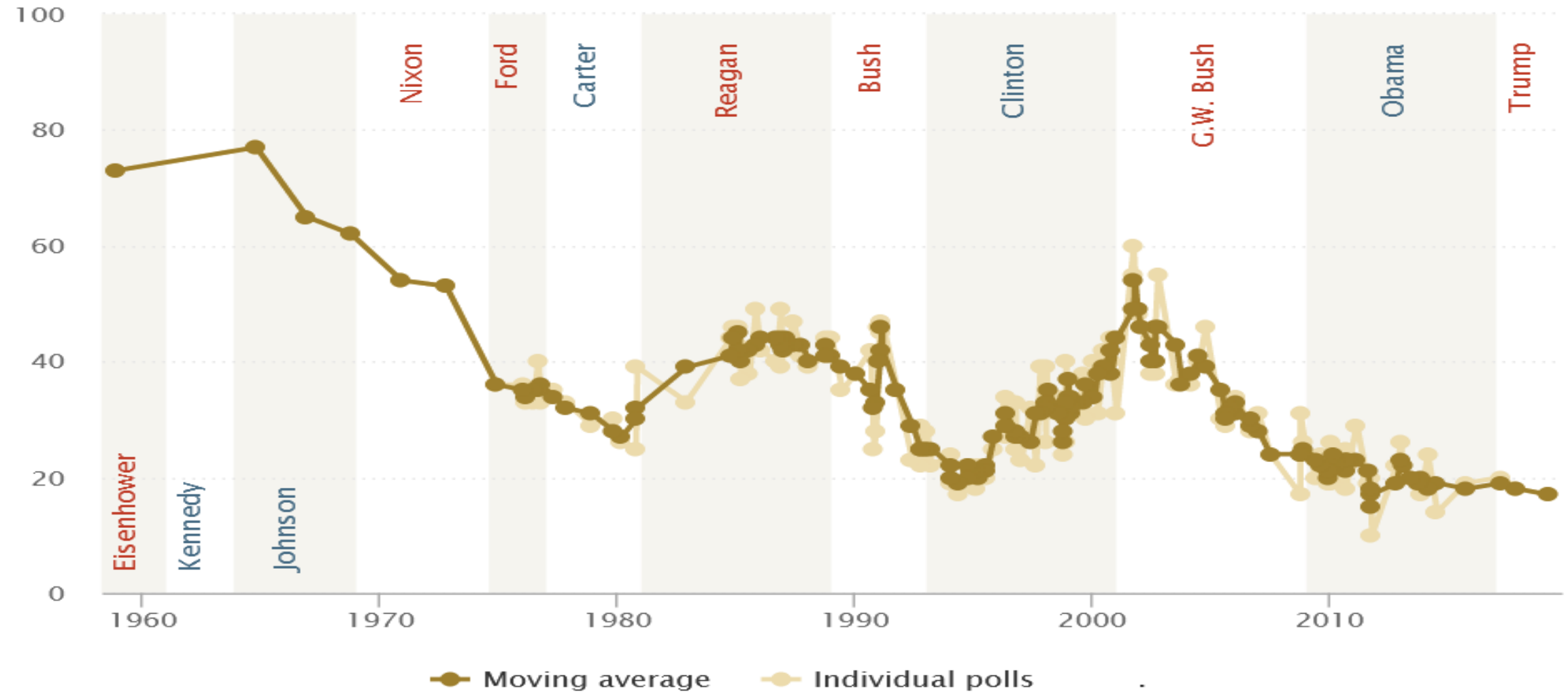
9. Widespread misperceptions about the nature of future war.
10. Political and social fragilities at home.
11. Stove-piped and muscle-bound government agencies unprepared for war.
12. No clear and agreed strategy for deterrence, fighting and winning.
13. Forces structured primarily for high-technology conventional war.
14. Pattern of constrained defence expenditure.
15. Relative de-industrialisation of the U.S. and its allies.
16. Limited supply chain resilience.
17. Defence mobilisation planning is deficient.

# US Defence Expenditure as a Percentage of GDP 1960-2020



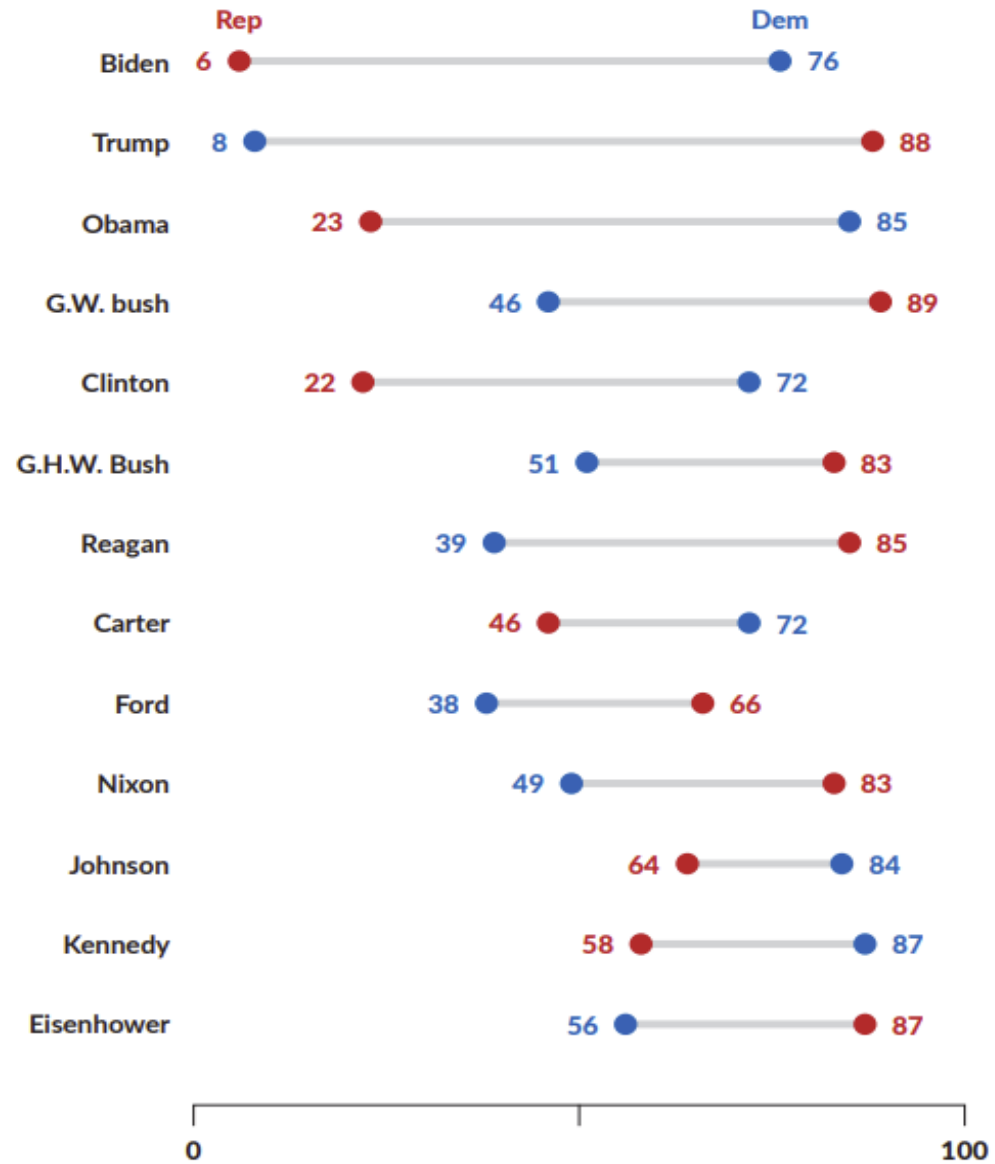
# US Public Trust in Government 1958-2019

*% who trust the govt in Washington always or most of the time*



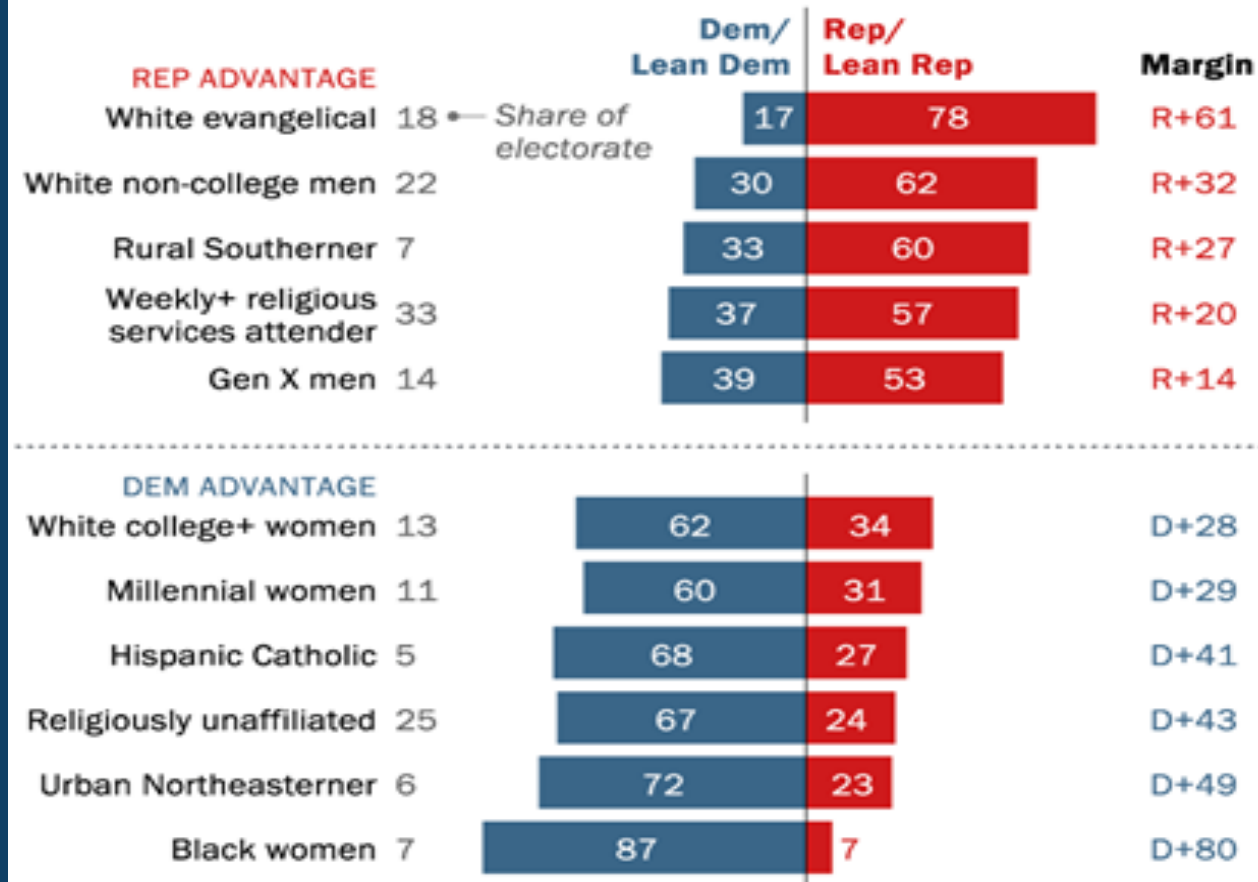
# Percentage of Population Approving the President's Job During the First Year

(Source: Pew Research Center)



# Republican and Democrat Strengths and Weaknesses in Party Affiliation

% of registered voters in each group who identify as ...



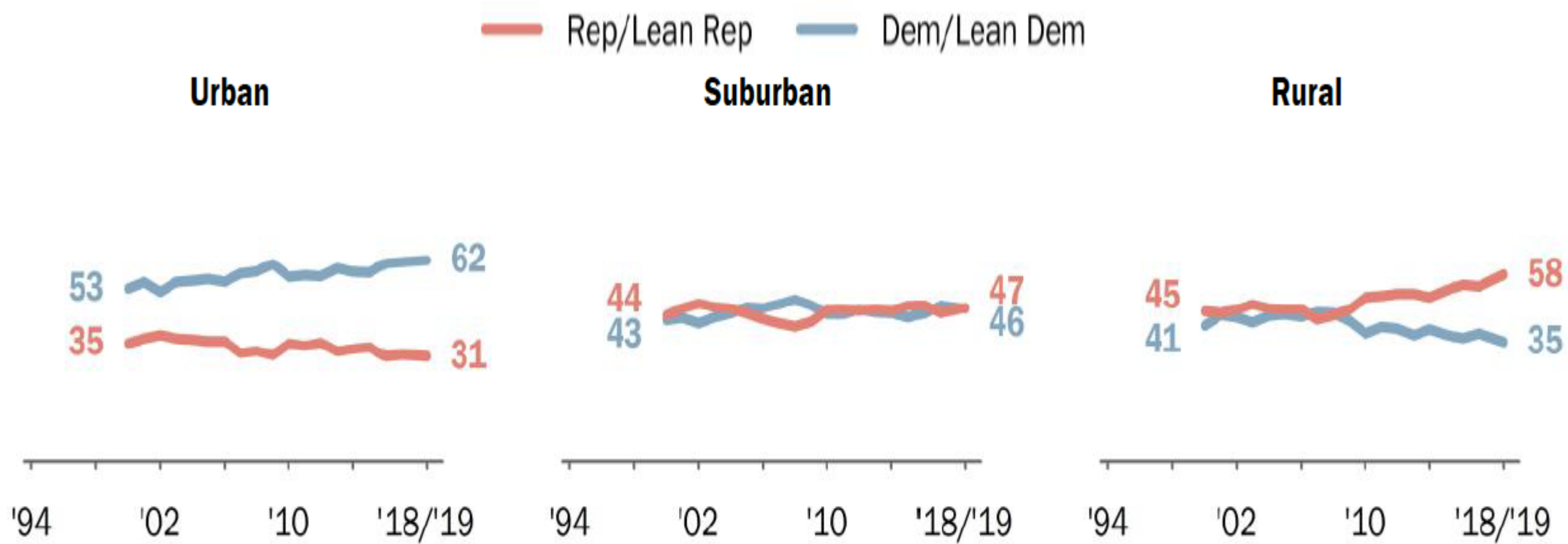
Notes: Based on registered voters. Figures show combined 2018 and 2019 data. Don't know responses not shown. Whites and blacks include only those who are not Hispanic; Hispanics are of any race.

Source: Annual totals of Pew Research Center survey data (U.S. adults).

PEW RESEARCH CENTER

# The Rural-Urban Partisan Divide

% of registered voters who identify as/lean toward ...

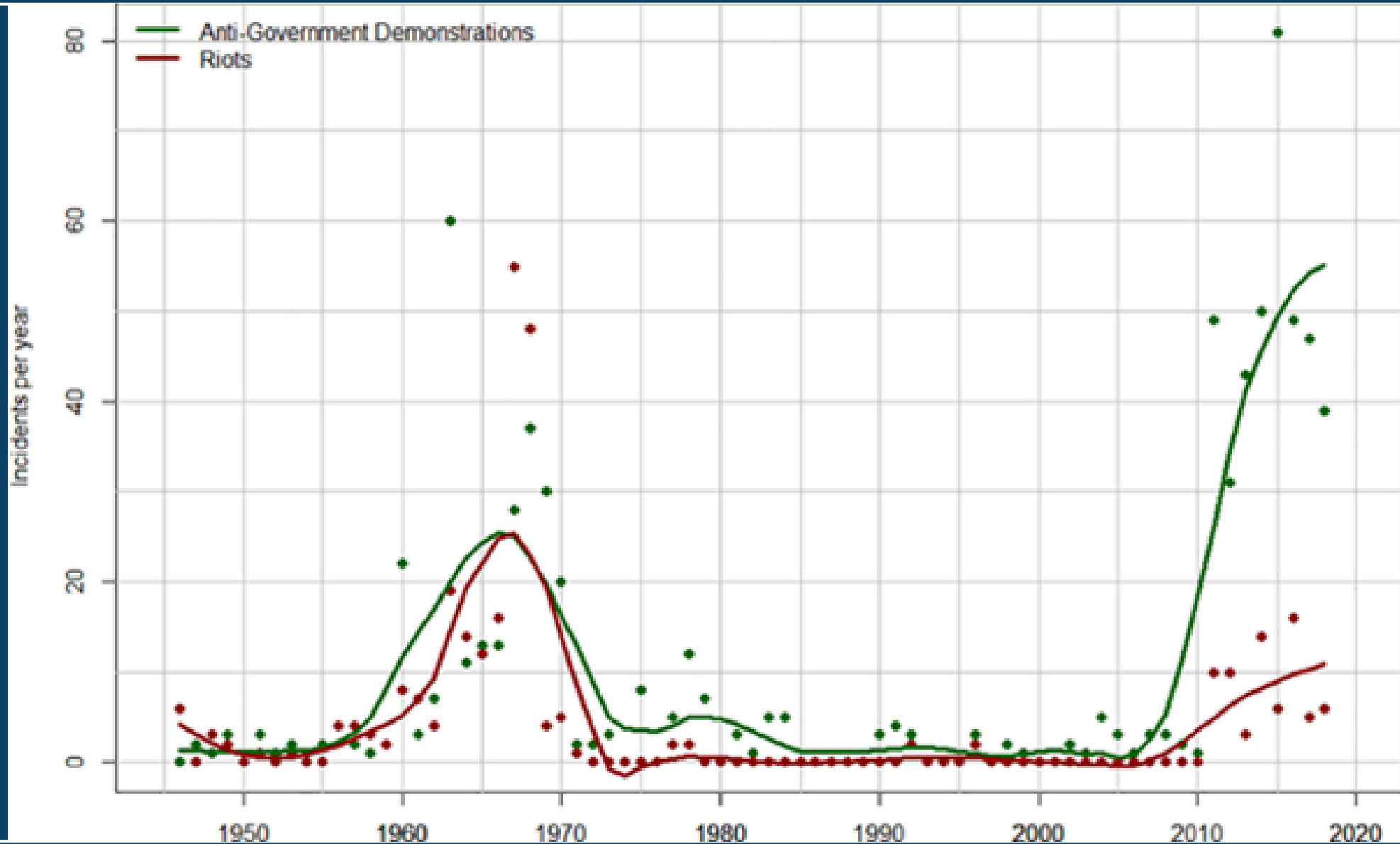


Notes: Based on registered voters. Due to smaller sample sizes in 2018 and 2019, the data from those years has been combined. Don't know responses not shown.

Source: Annual totals of Pew Research Center survey data (U.S. adults).



# Trends in Anti-government Demonstrations (green) and Riots (dark red) in the USA, 1946–2018



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## **Issue # 4**

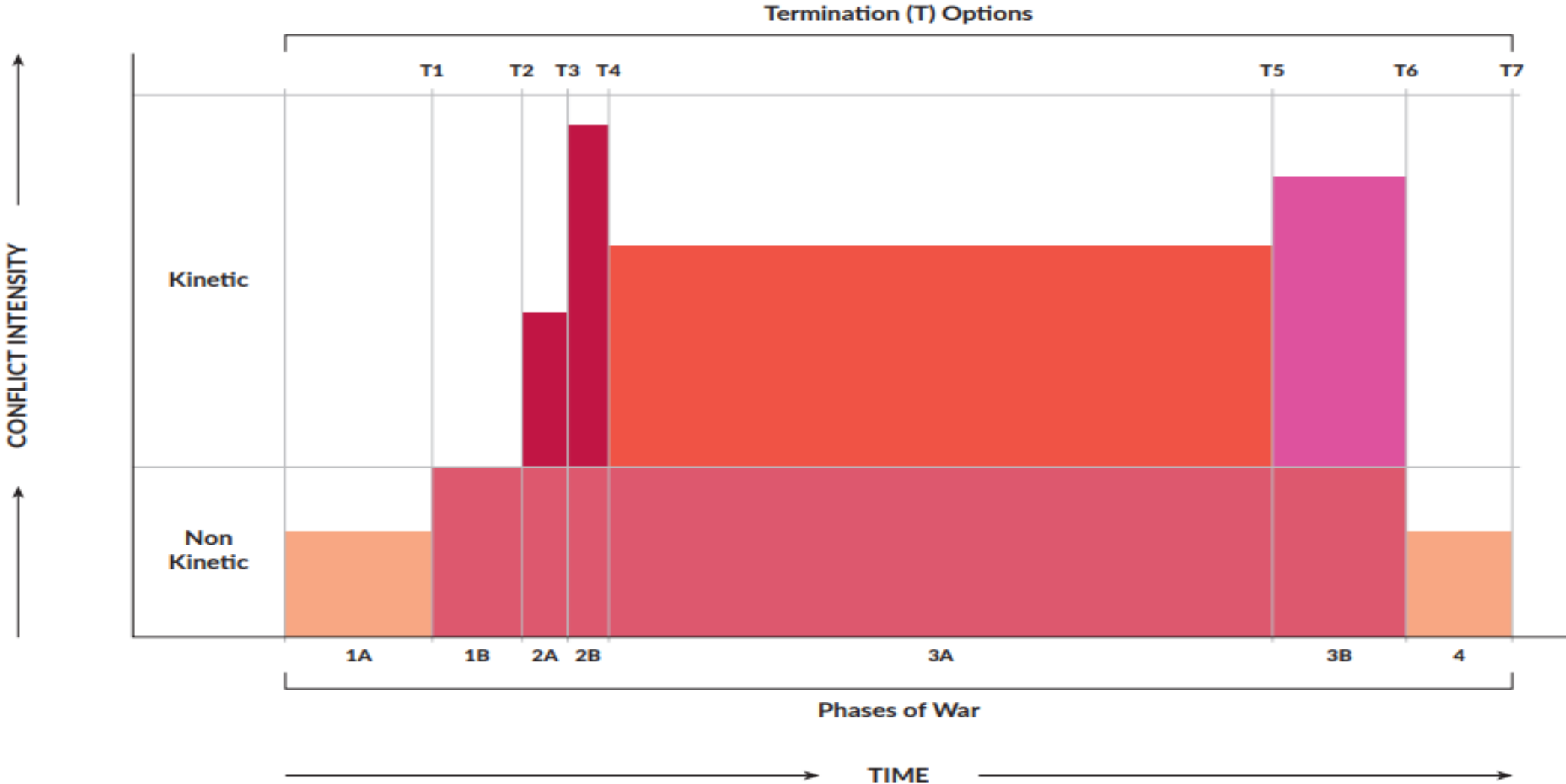
# **What Kind of War is Most Likely?**

1. Two combatant camps + neutrals
2. China conducts intensified political warfare and cyber operations left of zero.
3. Four main categories of trigger:
  - China attacks contested territory (eg Taiwan) and war escalates.
  - China launches a massive pre-emptive strike against US in the Indo-Pacific seeking to land a knock-out blow.
  - US detects PRC preparations and launches a pre-emptive strike on China's C4ISR and maritime forces.
  - Accidental clash escalates to major war.
4. China likely to threaten nuclear use to deter U.S. and allied intervention – as Putin has done in Ukraine. But actual nuclear use, while possible, is unlikely. Mutual deterrence would probably hold.

5. Both sides would like to win quickly but neither can land a knock-out blow.
6. War is likely to be protracted with both sides suffering heavy losses.
7. The war would most likely end in a negotiated settlement with the side holding the upper hand dictating most of the terms.
8. A major China-US war would probably progress through several stages (maybe 6 or 7 – though probably 3-4 major ones), each of which would differ in nature, operational demands, deployed elements and duration.
9. The military, economic, social and political impacts across the theatre would change as the war progresses from one phase to the next.



## Probable Phases of a U.S.-China War



10. A major China-US war would have four critical dimensions:

- Military capabilities
- Geo-strategic positioning (including alliances)
- Economic capabilities, and
- Social and political unity, cohesion and national will.

**Conclusion:** Strong performance in all four dimensions is required to win victory.

11. Capability priorities will change as the war progresses.

12. Both sides are accelerating preparations for war. The US is focusing primarily on military capabilities but China is working on all four categories.

13. Ultimately, a major war in the Indo-Pacific is likely to be a struggle not so much over which side has the strongest military capabilities or even the strongest economy. It would probably become a battle over which side has the strongest and most resilient society.

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## **Issue # 5**

**What would be the primary economic impacts?**



## Key Exports as a % of Net Exports 2019

|             | Japan | Korea | Taiwan | China | India | Australia | US  | Indo |
|-------------|-------|-------|--------|-------|-------|-----------|-----|------|
| Ore         |       |       |        |       | 1%    | 32%       | 1%  | 3%   |
| Energy      |       |       |        |       |       | 29%       |     | 16%  |
| Agri        |       |       |        |       | 11%   | 13%       | 13% | 48%  |
| Chemicals   | 9%    | 16%   | 6%     | 3%    |       |           |     |      |
| Metals      | 6%    | 5%    | 9%     | 7%    | 4%    | 4%        |     | 3%   |
| Textiles    |       |       |        | 30%   | 20%   |           |     | 8%   |
| Electronics | 9%    | 39%   | 70%    | 30%   |       |           |     |      |
| Vehicles    | 42%   | 29%   |        | 2%    |       |           |     | 2%   |
| Machinery   | 28%   | 11%   | 10%    | 28%   |       |           |     |      |
| Pharma      |       |       |        |       | 7%    |           |     |      |
| Services    |       |       |        |       | 40%   | 6%        | 80% |      |

## Key Imports as a % of Net Imports 2019

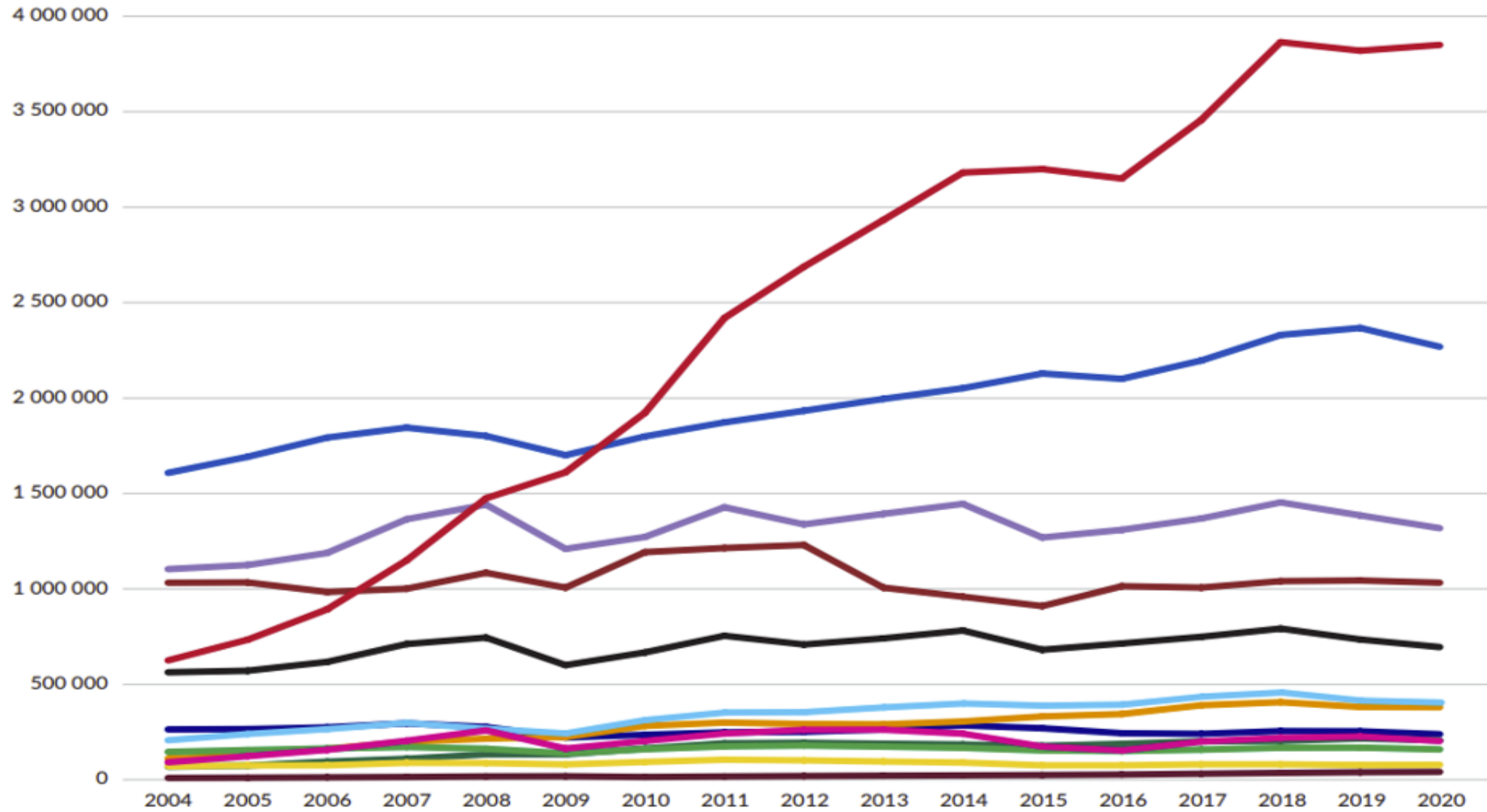
|             | Japan | Korea | Taiwan | China | India | Australia | US  | Indo |
|-------------|-------|-------|--------|-------|-------|-----------|-----|------|
| Ore         | 6%    | 7%    | 3%     | 13%   |       |           |     |      |
| Energy      | 35%   | 37%   | 39%    | 25%   | 37%   |           | 1%  |      |
| Agri        | 28%   | 18%   | 23%    | 10%   |       |           |     |      |
| Chemicals   |       |       |        |       | 7%    | 12%       | 7%  | 16%  |
| Metals      |       |       |        |       |       |           | 2%  |      |
| Textiles    | 16%   | 7%    | 5%     |       |       | 11%       | 20% |      |
| Electronics |       |       |        |       | 14%   | 17%       | 16% | 17%  |
| Vehicles    |       |       |        |       | 3%    | 27%       | 16% |      |
| Machinery   |       |       |        |       | 9%    | 30%       | 15% | 39%  |
| Pharma      | 4%    | 1%    | 4%     | 2%    |       | 3%        | 7%  |      |
| Services    | 4%    | 17%   | 7%     | 39%   |       |           |     | 15%  |



## China's Share of Trade in Key Partner Economies

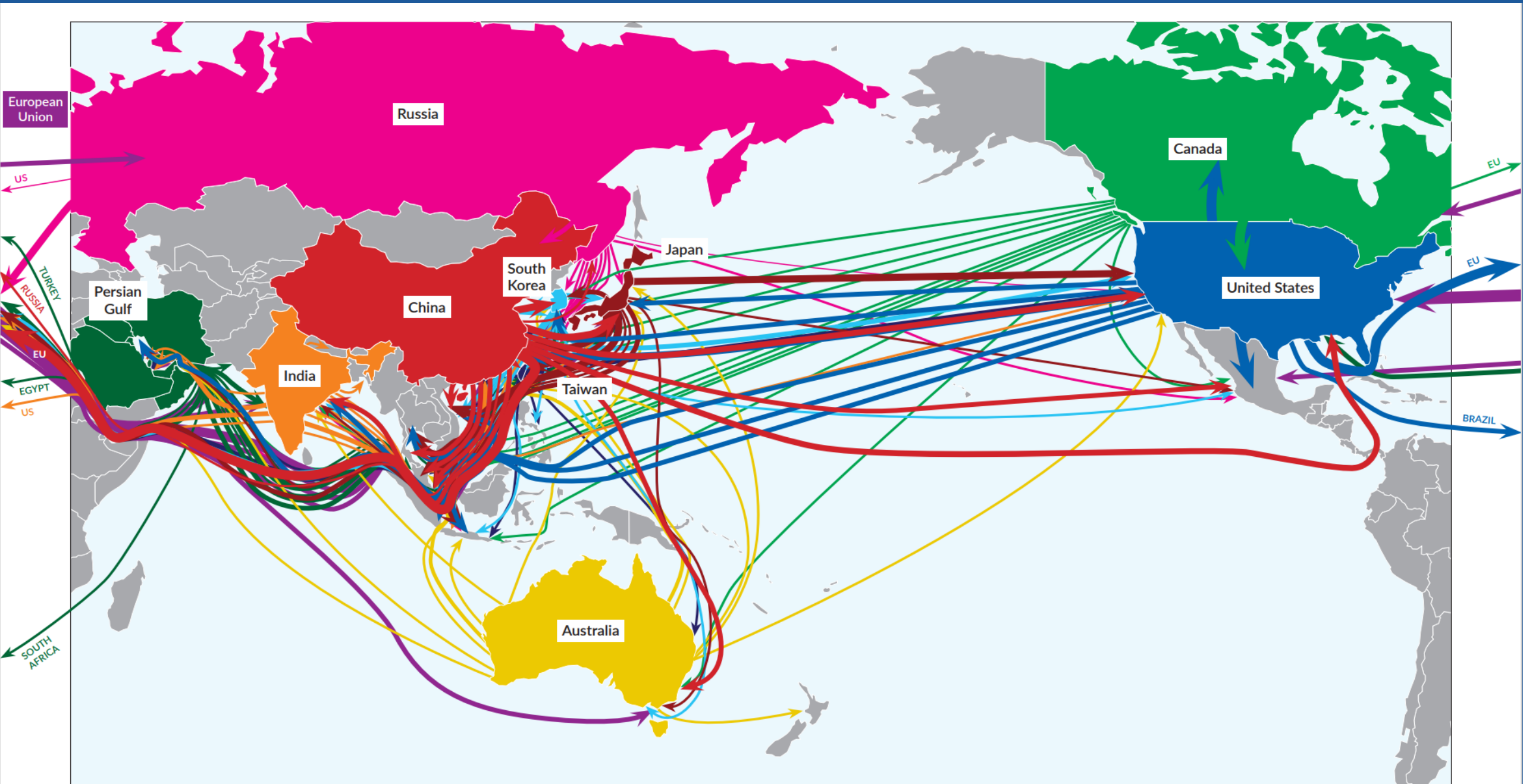
| 2019                  | Exports to China* |     | Imports from China* |     | Balance |
|-----------------------|-------------------|-----|---------------------|-----|---------|
|                       | \$bn              | %   | \$bn                | %   |         |
| Japan                 | 168.3             | 24% | 171.3               | 24% | (3.0)   |
| Korea                 | 168.1             | 31% | 109.0               | 22% | 59.1    |
| Taiwan                | 151.8             | 43% | 57.3                | 22% | 94.5    |
| India                 | 28.8              | 9%  | 85.8                | 18% | (57.0)  |
| Australia             | 108.2             | 41% | 57.4                | 26% | 50.8    |
| Singapore             | 96.0              | 25% | 52.5                | 15% | 43.5    |
| Malaysia              | 49.8              | 21% | 45.8                | 22% | 4.0     |
| Thailand              | 39.1              | 17% | 48.4                | 22% | (9.3)   |
| Indonesia             | 30.5              | 18% | 48.1                | 28% | (17.6)  |
| Vietnam               | 48.6              | 18% | 76.8                | 30% | (28.2)  |
| * Including Hong Kong |                   |     |                     |     |         |
| Source: WITS          |                   |     |                     |     |         |

# Global Manufacturing Output by Country/Region (US\$ billion)



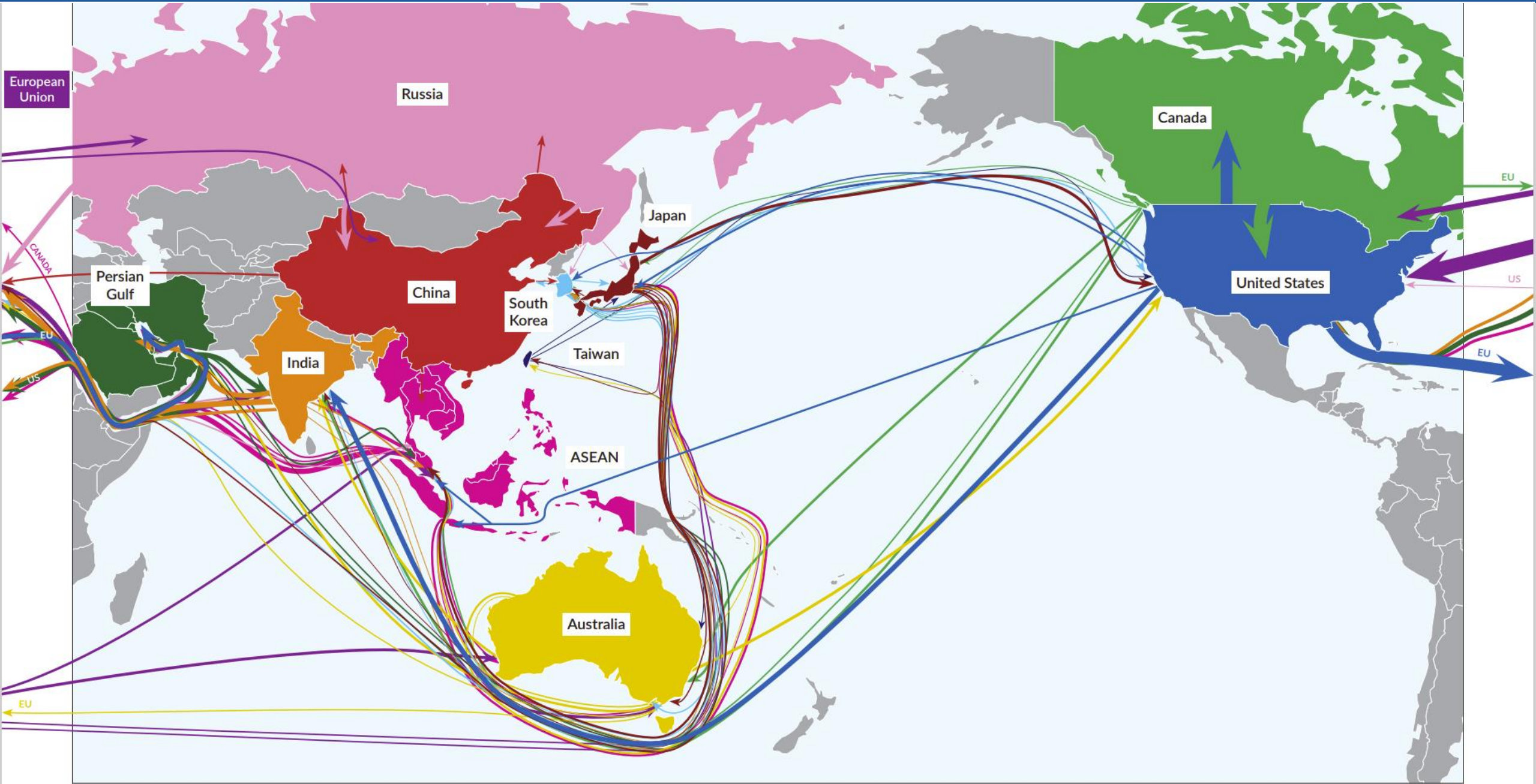
- Australia
- United Kingdom
- Germany
- Western Europe
- South Korea
- Japan
- China (mainland)
- Vietnam
- Indonesia
- Russia
- Canada
- United States
- India

# Current Pattern of Indo-Pacific Exports



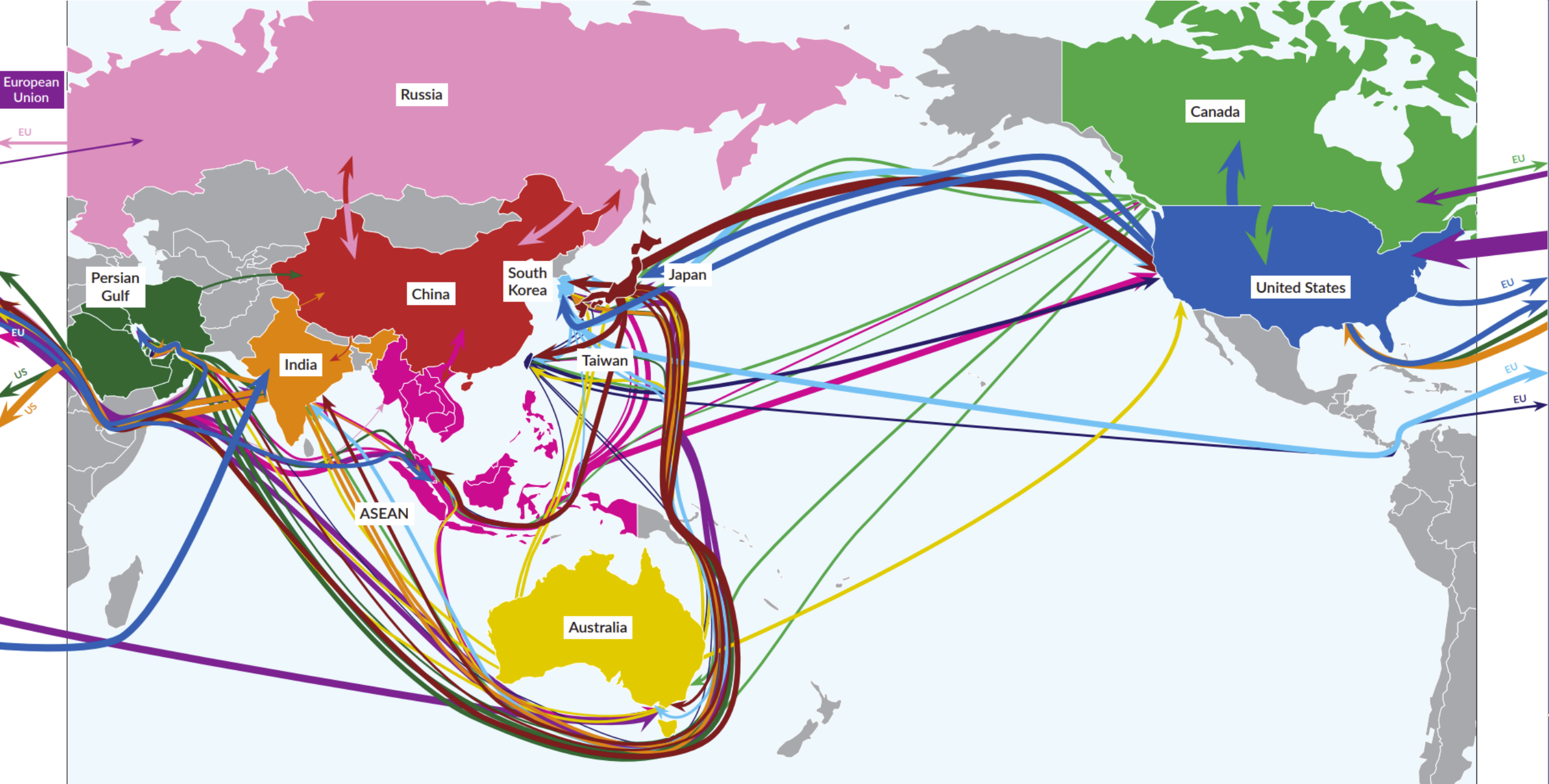


# Pattern of Indo-Pacific Exports in Initial Intense Kinetic Phase (2B)





# Pattern of Indo-Pacific Exports in Later Prolonged Kinetic Phase (3A)



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## **Issue #6 -**

**What are the primary issues and options for the U.S. and its allies?**

## What Needs to be Done? A Brief Summary

### Military:

- Build high-leverage capabilities to strengthen deterrence and strike power.
- Strengthen, disperse and protect bases and supporting infrastructures.
- Invest in strong mobilization capabilities to build resilience and staying power.

### Information and Political Warfare:

- New protections for media, key agencies, business and publics.

### Strengthen Supply Chain Security:

- Identify critical categories of goods and services and reconfigure supply chains to ensure uninterrupted supplies in major crises and conflicts. This will require some onshoring of production but also a new networking of trusted allied and partner suppliers.

### Restore Allied Manufacturing Dominance:

- Through a combination of allied and partner agreements – at multinational, bilateral and corporate levels, incentivise a strong program of onshoring, ally-shoring and partner-shoring of priority design and production capacities in a manner that is robust and sustainable.

# Questions and Discussion

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