



Submission No 2

Inquiry into the Economic, Social and Strategic Trends in Australia's region and the consequences for our Defence Requirements

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**Joint Standing Committee on Foreign Affairs, Defence and Trade: Inquiry into
the economic, social and strategic trends in Australia's region and the
consequences for Australian defence requirements**

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This submission is constructed around eight key propositions:

- The global security environment is undergoing fundamental readjustment. Australia stands on the brink of a global strategic order that will be concerned as much with the defence and promotion of values as with the protection of economic and political interests. This has profound implications for Australia's defence posture.
- Australia is ill prepared in strategic policy terms for the dramatic changes that are underway in Australia's region, particularly in North Asia, South Asia and South East Asia. While we remain cautious, uncertain and reactive, we will remain unable to articulate a strategic policy that is innovative and confident.
- During the past decade, Australian defence and foreign policy has been more reactive than proactive, demonstrating a preference for pragmatic responses to trends and events occurring in the region rather than seeking to shape the strategic environment.
- Though there are some signs that the gap is narrowing, there is too wide a separation between Australia's defence and foreign policies and, *a fortiori*, the defence and foreign policy establishments.
- Notwithstanding the outstanding performance of the Australian Defence Force (ADF) during the past seven years or so and the "lessons learned" from that, Australia's defence capability development must remain rigorous and based on sustained policy analysis rather than "ad hocery" and opportunism.
- Rather than generating a dynamic and constructive dialogue between Canberra and Washington, the alliance with the US has induced a form of policy complacency that confuses the strategic interests of the US with those of the incumbent administration: it is as much a role for an ally to advise and warn as it is to support.
- While a kind of benevolent neutrality that would see Australia as some kind of "honest broker" in the event of any strategic contest between the US and the emerging powers of Asia might appear to be a reasonable aspiration, such a position would in fact be impossible. As Australia found repeatedly between August 1914 (the outbreak of WW1) and November 1989 (the fall of the Berlin wall and of the Soviet Union), there are issues on which we as a nation must take a stand.
- The emphasis given to terrorism and weapons of mass destruction (WMD) in current defence policy statements (such as the 2005 Defence Review) is not only unwarranted, but, if translated into ADF force structure, will undermine Australia's capacity for both self-reliant defence and meaningful contribution to alliance or coalition activities involving the use of armed force.

1. The Global Security Environment

While an examination of the global security environment might appear to be beyond the terms of reference of the Joint Standing Committee's inquiry, the fact is that the fundamental adjustments currently underway in global security affairs have far-reaching implications for both the regional security environment and Australia's more immediate security interests.

Commentators often regard 11 September 2001 as the symbolic beginning of a new strategic world order – the age of terrorism. But the more significant strategic turning point was 9 November 1989, which marked the end of the Cold War. Not only did the Berlin wall come tumbling down but so, too, did the edifice of world communism, particularly the Soviet Union. This was a development of the utmost significance, one to which the global community is yet to adjust and with which it is yet to come to terms. As Professor Philip Bobbitt has noted, most of the 20th century was given to the battle of the “isms” – fascism, communism and democratic liberalism – in order to determine which of these three forms of constitutional order best promoted the well-being of the state and its citizens¹. It was, in his terms, an epochal war in which fundamental political, social and strategic issues struggled for resolution.

The “long war”² that started in 1914 in Sarajevo and ended in Paris in 1990 with the adoption of the Charter of Paris delivered the final answer to the question concerning which constitutional order best served the state and its citizens: “Government by consent, freely given and periodically capable of being withdrawn, is what legitimates the nation-state”³. But the victory of parliamentary democracy over fascism, communism and other forms of absolutism raises the fundamental question: what are the *strategic* consequences of this victory? And this, in turn, raises the question that goes to the heart of any country's consideration of its strategic policy and its consequent force structure: how is the strategic environment within which nations pursue their interests evolving as they come to terms with the emerging pressures that result in a significant way from the ever closer convergence of political and economic forces?

It is interesting that we do not know what to call the period in which we live. Many commentators describe it as the “post cold war world”, much as the commentators of the 1940s described the world of the 20s and 30s as “entre deux guerres”. But that is only to confirm the time in which we are, not the world in which we live. The security environment in which we currently find ourselves is full of uncertainty, and the shape of things to come is unpredictable. It most certainly is not simply a linear continuation of the present. Some features of the emerging global security environment are, however, already becoming clear. They include:

¹ P.Bobbitt, *The Shield of Achilles: War, Peace and the Course of History* (London: Penguin Books, 2003), pp 19, 24-64.

² It is noteworthy that the Quadrennial Defense Review released by the Pentagon on 10 February 2006 applies the same term, not to the defeat of the “isms” by the forces of parliamentary democracy, but to the future uncertainty attaching, among other things, to “global (and otherwise undifferentiated) terrorism”.

³ P.Bobbitt, *op.cit.*, p. 63.

- There will be a significant change in the global economic balance, with China and India both positioned to supplant the US as the dominant economies, at least in gross terms, by the middle of the century.
- On current projections, India will be the world's most populous nation (as well as the second largest economy) by the middle of the century.
- The US will remain the only nation able to exercise a global military reach in the middle of the century, assuming that it maintains a substantial deficit and a relatively large underspend on education, health and social security.
- But, significantly, both China and India will be able to exercise determinant military power in the Asian region by the middle of the century, with alarming implications for both as their military capacities confront each other in the same strategic region.
- The triumph of parliamentary democracy over other forms of constitutional order has not led to their elimination: there is an emerging clash of values between those (individuals, communities and nations) that subscribe to individual rights and the rule of law as the basis for common enterprise and those that subscribe to ideological absolutism as the basis for conformism and subjugation (at the individual, community and national level). While terrorism is one dimension of this clash (and a relatively minor one at that), the strategic options and roles of China and Iran, for instance, raise significant questions.
- There are some indications that the political underpinnings of the 20th century nation-state are giving way to a significantly different form of political participation, where the "welfare state" – which actually focuses on the welfare of the state – is giving way to market forces more aligned to realising the opportunities available to individuals, thereby reducing the role of "government" in individuals' lives.
- For this reason, the privatisation of what were formerly state-owned and operated instrumentalities will accelerate, with the "market" progressively providing what governments once did. The globalisation of enterprise ownership will have profound political and structural implications (as the Bush administration has already found with respect to the sale of six US ports).
- Similarly, individuals with the most developed skills and highest education will be best placed to create new opportunities, with the consequence that there will be a large community of wealthy and influential individuals whose allegiance is more to the global market than to the country in which they were born. This is already having an impact on China and India, as well as on Australia.

How governments might respond to these and other factors is most unclear. But, at the very least, it does suggest that the demands on governments as they consider questions of strategic posture and associated force structure will be both different from anything they have experienced hitherto, and considerably more complex. As nations have progressively democratised during the past century or so, the likelihood of armed conflict between democratic states has evidently reduced. The strengthening of democratic – or at least participative – forms of government in South East Asia over the past couple of decades, especially the more recent introduction of representative government in Indonesia, has significantly enhanced Australia's security and reduced the likelihood of external aggression directed towards Australia. But it would be a bold (and foolish) government that discounted completely the

possibility of an armed attack on Australia, particularly in the circumstances of a bid for global strategic positioning by a nation whose constitutional order was not defined by democratic liberalism. Moreover, just as events occurring within the global security system inevitably have consequences for Australia, so Australia's security interests inevitably have global dimensions. If only for this reason, Australia needs to be responsive to developments within the global security environment and to play an active part in the development of a stable global security architecture that protects and promotes those interests.

2. Australia and the Changing Strategic Landscape in Asia

The impending strategic changes in Asia – especially the emergence of China and India as dominant strategic actors – are as profound as they are far-reaching. Within three decades, China will boast the largest global economy, followed by India and the USA in that order. Within the same three decades, India will have the largest national population, followed by China and the USA in that order. Indonesia and Nigeria will have populations approximately the same size as that of the USA.

Of course, The USA will continue to dominate the global economy in terms of *per capita* GDP. But China and India will be able to sustain much lower cost labour inputs, with the consequence that they will be able to grow their military forces substantially. With the growth in national wealth and military capacity, their strategic ambitions will also grow, as will their ability to exercise their military muscle.

These developments, combined with the inevitable shifts in the strategic and foreign policies of the USA, will create a particularly tricky arena in which Australia might seek to realise its own strategic aspirations. While current policy settings acknowledge the tensions and divergences that might confront Australia over the next few decades, they reflect a “she’ll be right” complacency that underestimates both the possible scale of the divergences and the high stakes for which China and the USA may be prepared to play the strategic game.

The USA is presently the world's “single superpower”. Significant policy and force structure adjustments to the strategic posture of the USA during the next few decades are inevitable. Its strategic posture will need to take into account unfolding events in the Middle East, Russia's growing political, economic and strategic standing as it exploits its vast energy reserves in an “energy poor” world, further strategic developments in Europe and burden fatigue domestically. But it is inconceivable that the USA would be prepared to vacate the global strategic stage for any of its competitors. Indeed, it is more likely that future US Administrations of whatever political hue will seek to reinforce the strategic pre-eminence of the USA, and will ensure that it has the military capability to assert that pre-eminence. And that is where the problem precisely lies.

Just how complex the strategic choices of the USA (and its allies, including Australia) might be during the next 40 years can be seen in the following table, which aligns

(indicatively) the strategic policy focus and the capability policy focus of the three major players through to the year 2050⁴.

	KEY STRATEGIC FOCUS		KEY CAPABILITY FOCUS	
	2020	2050	2020	2050
USA	Global force projection, integrated land/sea/air dominance	“Fail-safe” national defence against missile attacks; global force projection.	Strategic Strike (conventional & Nuclear), ballistic missile defence	Ballistic Missile Defence, strategic strike (conventional and nuclear)
CHINA	Maritime force projection in the North Pacific and South China Sea; regional land dominance	Integrated land/sea/air dominance in the Asian theatre	Maritime force projection (carriers, SSN, SSBM), strategic and tactical nuclear weapons	Integrated land/sea/air force projection, strategic and tactical nuclear weapons, missile defence
INDIA	Maritime force projection in the Indian Ocean, Arabian Sea, Bay of Bengal; regional land dominance	Integrated land/sea/air dominance in the Asian theatre	Maritime force projection (carriers, SSN), strategic and tactical nuclear weapons	Integrated land/sea/air force projection, strategic and tactical nuclear weapons, missile defence

If the strategic assumptions underlying this analysis are correct, and the capability consequences of adjustments to strategic policy are credible, the emerging regional strategic environment will be extraordinarily complex.

Superior technological capacity will continue to be at the centre of the realizable strategic options of the USA. Its key priority will be to guarantee the strategic integrity of continental USA against any and all attacks. An integrated ballistic missile defence system, presently something of a holy grail, will become an even higher priority than it was during President Reagan’s administration. The combined effects of demography, technological capacity and the “saving private Ryan” syndrome (the serious public aversion to combat casualties) will favour a mix of long-range strategic strike and missile defence as the preferred form of US strategic sanction.

For China and India, it is at once simpler and more complicated. While they will seek to exploit their strategic differentiation from the USA, and from each other, the similarity of their strategic objectives and generic capabilities will create significant

⁴ This table was derived following an extensive survey of the available technical literature and was previously used in a presentation to the Australian Law Reform Commission’s *National Security Law Symposium* on 12 March 2005. While there is a considerable amount of published material concerning both India’s hopes and ambitions (it would seem that every senior Indian officer, upon retirement, publishes a book) and those of the USA, China’s intentions are significantly less transparent. Consequently, the strategy/capability alignments illustrated in this diagram are indicative only.

opportunities for misapprehension and misadventure. The size, reach and structure of their respective forces will reinforce the attrition model of warfare, as distinct from the more current manoeuvre model pursued by the USA and, relative strengths taken into account, Australia. This will in fact afford India and China much less flexibility in dealing with each other at the strategic level, and will probably favour head-to-head “stare downs” rather than strategic finesse and adroitness.

If China and the USA are inevitably competitors, so, too, are China and India. While India’s geostrategic location affords it a measure of separation from the more fluid strategic dynamics of the North Pacific, the central Asian landmass or Europe, it is already locked into a global competition with China for energy, water and the vast volumes of raw materials required by Industry. And for as long as China continues to rely on enormous volumes of Middle Eastern oil, its supply line is vulnerable to Indian interdiction.

For Australian policy makers, the emerging regional strategic environment is at once risky and challenging. To believe that Australia will be able to sell to everyone and side with no-one simply represents the triumph of hope over experience: For war is the continuation of **policy** by other means, and the major strategic players will not tolerate some form of commercial neutrality on Australia’s part – least of all the USA.

Australian policy makers find it difficult to balance the competing expectations of these global players. In his remarks welcoming the Chinese Premier, Mr Wen Jiabao to Parliament House on 3 April 2006, Prime Minister Howard said: “We do not see any merit at all in any policy of containment towards China; rather we see it very much in the interests of this country, the interests of our region and indeed the interests of the world to be an active partner in that long journey that China has begun to undertake towards realising her full potential”⁵. But Mr Howard went on to say:

. . . The relationship between China and the United States is crucial. As all of you will know, Australia has never played down or in any sense apologised for the closeness of our relationship with the United States. That relationship is deep; it’s based on history and shared values and it’s arguably stronger now than ever before. But the strength and the depth of that relationship in no way affects or will it affect the capacity of Australia to interact with and form a close and lasting partnership and friendship with China. I take the optimistic view, not only in our region but also around the world of relations between the United States and China. I do not subscribe to the school to which some belong of an inevitable breakdown leading to potential conflict. I rather take the view that commonsense will prevail⁶.

Prime Ministers, of course, have the unenviable task of putting the best possible gloss on everything, and no one should expect a more sharply etched statement in the context of an official visit by the Premier of a significant and friendly state. But to balance values against economic interests, and to believe that tensions will be resolved through “commonsense” is tantamount to saying that the harsher lessons of history are not relevant to the emerging strategic environment.

⁵ The Hon John Howard MP, transcript, 3 April 2006.

⁶ *loc. cit.*

It is a tribute to the focus and assiduity of Chinese diplomacy over the last three decades that Australia finds itself caught, as it were, between two suitors. With its profound grasp of history, China does not aim to capture or strategically dominate Australia. Rather, it seeks to consolidate two key strategic aims: to deny to the USA the automaticity it might expect from its alliance with Australia; and to inject a measure of strategic uncertainty into the minds of Australian policy makers. To the extent that Australia perceives itself to be caught between a “rock” and a “hard place”, it is.

The solution for Australia is not to espouse a policy of optimism, or to believe that good will and commonsense will win out. Australia’s key strategic objective must be to work towards a politically and economically stable region where prosperity and harmony prevail. At the same time, it needs to understand that difference and tension are inevitable: the task is to develop mechanisms now that will position Australia to contribute to dispute resolution, to enhance the institutional arrangements that bolster regional security (including the Australia-USA alliance), to build new institutional arrangements as necessary (the “regional security architecture”), and to continue to invest in its ability to sanction aggression through its own defence assets.

The question is: how? In a complex regional strategic environment, Australia’s position is secured to the extent that it knows what it stands for (its values), that it is able to articulate the core drivers of its strategic policy, and that it is able both to build and to use the bilateral and multilateral institutional arrangements on which stability and security depend. This means that Australia must not be manoeuvred on the central issues of human rights and core values, and that it must not compromise on the extension of democratic practice and democratic institutions. In a globalised world (though not without some current regression towards national preferences and protections) it needs to work with like-minded countries to reform and strengthen the UN and its agencies, to strengthen its own capacities for quiet and effective diplomacy and, at the same time, to maintain effective levels of investment in military capabilities that serve to deter the use of armed force or, should deterrence fail, defeat it. And that is why, at the strategic level, the realism of the alliance with the USA will remain central to Australia’s strategic posture rather than the optimism that it will never be called upon.

3. Can Australia shape its strategic environment, or must it simply react?

One of the axioms of modern manoeuvre warfare is the imperative to shape and control the battle space. Principles such as “working inside the adversary’s decision loop” and “denying strategic advantage to the adversary” underscore the main point: success in warfare depends on initiative, surprise, control of the rate and nature of escalation and shaping the operational environment.

These principles have, *mutatis mutandis*, been applied successfully to modern management theory and to commercial competition. The question is: can they be applied to the design and implementation of national foreign and strategic policy?

Between the late 70s and the mid-90s, successive Australian governments demonstrated considerable confidence, indeed exuberance, in their approach to

regional and international affairs. Australia pressed hard to become a member of the expanded Committee on Disarmament in 1979, and initiatives such as Cairns Group to put agriculture squarely on the multilateral trade agenda, the establishment of APEC to capitalise on the growing economic inter-dependence of the Asia-Pacific Region, the Canberra Conference on Chemical Weapons to press for a global ban on chemical weapons, the Canberra Commission to eliminate nuclear weapons – all displayed an appetite for policy “progressiveness” and initiative.

The past decade has given way to a more cautious approach, where the drivers of current policy are more clearly differentiated from those of previous governments. The “progressiveness” of the 80s has been replaced by the “pragmatism” of the 90s, “commonsense” substituting for “vision”. The post-Asian economic collapse and post-9/11 worlds are evidently more sobering and confronting than the buoyant 80s, and policy needs to be more tempered and cautious.

But for all its popular, no-nonsense, commonsense appeal, pragmatism is a policy dead-end, because it is limited to the here and now. It is instinctive rather than creative, reactive rather than strategic, and even where it is constructive it is always constrained by the “realities” (as they are perceived) of the present. Pragmatism is always the triumph of the expedient over the imaginative, of the short-term over the long-term, of present advantage over more enduring principle. For these reasons, pragmatism is dangerous because it actively militates against initiative and efforts positively to shape the future.

For as long as Australia’s foreign and strategic policy is characterised principally by pragmatism, we will simply be unable to create the opportunities by which we can shape our own destiny, practise strategic leadership and encourage stronger adherence to and practice of the values that ultimately underpin our own society. As Professor Hugh White recently observed, “Policy which elevates pragmatism over principle cannot be sustained”⁷.

The principles that inspire the Australian version of a robust democratic practice are the principles that need to inspire our foreign and strategic policy. Those principles are pretty clear: each human being has intrinsic worth and dignity, from which follow the rule of law and the fundamental freedoms of belief, speech and association. These are the principles that unite Australia as a community and connect us to our allies. They are also the principles that enable Australia to tackle the emerging strategic environment constructively and enthusiastically, shaping, where we can, the rules by which our region will operate and, on the basis of our long democratic experience and success, provide leadership in the design and management of the institutions that will secure this emerging strategic environment.

It is evident that Australia has the experience and ability to shape and lead. But it needs to demonstrate that it has the “ticker” to do so. For Australia to strengthen its defence posture, it needs not only to maintain a capacity for effective response to such crises, natural and man-made, that might occur, but also an ability to build and maintain the regional and global institutions that at once constrain unacceptable

⁷ Professor Hugh White, “Autonomy a better deal for Papuans”, *The Sydney Morning Herald*, 11 April 2006.

international behaviours and provide nations with the capacity to act collectively in the common strategic interest.

4. The Foreign Policy/Defence Policy Divide

The increasingly complex strategic dynamics of the Asia-Pacific region not only confront Australia with altogether new security policy problems but also demand new approaches to security policy development. If Australia is to determine its defence requirements adequately over the next couple of decades, it must both understand the forces driving strategic change and craft integrated strategic policies that translate into a sensible and sustainable force posture. This calls for an innovative approach to policy making. It also calls for an end to the “silos” within which much of Australia’s foreign and defence policy is crafted.

Since the end of the Second World War, the Department of Foreign Affairs and Trade and the Department of Defence have been preoccupied with rather different things. Foreign Affairs (and its predecessor, External Affairs) have been more concerned with the maintenance of stability and the reinforcement of measures that favour peace and the maintenance of constructive relations between states. Foreign policy is concerned with diplomacy⁸ and the avoidance of armed conflict. The Department of Defence is concerned with what happens when relationships fail, and how armed force is best employed to sanction aggression and to defeat armed attacks. Foreign Affairs deals with the world as it should be. Defence deals with the world as it could be.

The Foreign Affairs and Defence portfolios are differentiated by quite different mindsets that can, at times of crisis, manifest themselves not only in fundamentally different approaches to problem solving but also (and more significantly) in basic disagreements on policy outcomes and how they should be delivered.

This fundamental difference in perspective informs both the development and implementation of foreign policy, on the one hand, and of defence policy on the other. This difference is exacerbated by the infrequency of personnel interchanges between the two portfolios, and the relatively low levels of knowledge within the public service of what the ADF actually does, how it organises itself for operations, the demands of military operational planning, the command responsibilities of ADF leaders, the operational pressures on ADF personnel, the extent or depth of logistic support needed for ADF deployments – among many other factors. And this ignorance is reciprocated from the Defence side: except at the very senior levels, most ADF leaders have little knowledge of the way in which high policy is developed and formulated, how Government deals with intelligence, and the need for the full range of factors (including financial aspects) to be taken into account as Government reaches strategic decisions.

⁸ As Australia’s senior diplomats would recall from their days as “diplomatic cadets”, “Diplomacy is the application of intelligence and tact to the conduct of official relations between the governments of independent states, extending sometimes also to their relations with vassal states; or, more briefly still, the conduct of business between states by peaceful means.” See Ernest Satow, *A Guide to Diplomatic Practice* (London: Longmans, Green and Co., 4th edition 1957), p. 1.

While several Ministers for Foreign Affairs, notably Gareth Evans⁹ and Alexander Downer¹⁰, have attempted to bridge the Foreign Affairs/Defence divide in the development of major foreign policy statements, Defence Ministers have generally been considerably more protective of their patch in the development of Defence White Papers.

As both the former Minister for Defence, Senator Robert Hill, and the present Minister, Dr Brendan Nelson, have frequently commented, the *2000 Defence White Paper* remains the cornerstone of Australia's defence policy. The two *Defence Updates*, released in 2003 and 2005 respectively, reassert the continuing relevance to capability planning of the principles outlined in the *2000 Defence White Paper*. In some important respects, the 2000 Defence White Paper represents the culmination of a body of policy development that began with the *Defence of Australia Studies* undertaken in the Department of Defence in the early 70s. The findings of these studies found their clearest expression in the *1987 Defence White Paper*, which was itself a direct outcome of the *Review of Australia's Defence Capabilities* led by Professor Paul Dibb in 1986. Prepared with the immediate experience of the ADF's involvement in the INTERFET operations in East Timor, the *2000 White Paper* deals with the dynamics of the use of armed force, and translates the "lessons learned" into a systematic set of force structure propositions.

Since the publication of the *2000 Defence White Paper*, a divergence has emerged between defence policy commentators, some of whom claim that the traditional reliance on the "Defence of Australia" as the theoretical underpinning of Australia's defence policy and capability planning has given way to a policy more sensitive to Australia's "global security responsibilities". While asserting their continuity with the *2000 Defence White Paper*, the two *Updates* provide some justification for those who believe that Australia's defence policy has taken a different track. The starting point for the 2003 and 2005 Defence Updates is less the dynamics of modern warfare and the capabilities necessary for warfighting than the more globalised threats now facing the international community – so-called "global terrorism", weapons of mass destruction and the failure of fragile states. The 2005 Defence Update goes on to

⁹ There was considerable collaboration between Foreign Affairs and Defence in the development of the Ministerial Statement *Australia's Regional Security*, tabled in the Senate on 6 December 1989. The "constructive commitment" to the South Pacific and the "comprehensive engagement" with South East Asia that were the hallmarks of the Ministerial Statement were developed in the broader context of the "area of primary strategic interest" concept that underpinned the 1987 Defence White Paper. This collaboration extended into the drafting of *Australia's Strategic Planning in the 1990s*, endorsed by Government on 27 November 1989 and released for publication by Senator Robert Ray in 1992.

¹⁰ Similarly, the 1997 Foreign Affairs White Paper *In the National Interest* and the 2003 Foreign Affairs White Paper *Advancing the National Interest* both involved discussions with the Department of Defence. But the two White Papers were prepared quite differently. The 1997 White Paper was drafted by a Secretariat under the oversight of an advisory panel that included, *inter alia*, the late Vice Admiral Michael Hudson RAN, a former Chief of the Naval Staff. The 2003 White Paper was much more an "in-house" production. While both White Papers recognise the key issues affecting the global security environment, neither of them has much to say about Australia's defence policy, or the defence cooperation programs operating in South East Asia and the Pacific. Apart from a few quite general paragraphs, neither of the White Papers links defence policy, defence cooperative programs or ADF capability into the broader compass of a comprehensive foreign policy. They are equally good at describing the world in which Australia needs to operate, but significantly less confident in identifying what Australia should do to enhance global or regional security and stability, or how Australia should go about employing its defence capabilities to secure Australia's interests.

include the ADF's roles in combating piracy, transnational crime, international drug syndicates and people smugglers. In a curious departure from the customary focus on **Australian** defence, the 2005 Defence Update seems to suggest that Australian defence policy should be predicated on the defence of global strategic interests. It asserts:

Some five percent of our population is overseas at any one time. Many Australians are the children of migrants. By virtue of its effective integration into the global community, Australia has security interests far distant from its shores¹¹.

While it is evident that Australia has global security interests, the *2005 Defence Update* offers no insight into how these security interests (shared with many other nations) impact on our national strategic interests or how such security interests should influence capability acquisition decisions.

What this represents is a basic confusion in the articulation of national strategic policy as distinct from national security policy – a confusion that would have been avoided had those framing defence and foreign policy aligned their respective policy development processes. While it is certainly the case that Defence has a significant stake in the development and articulation of national security policy, the issue is much broader than defence, and impacts on virtually every portfolio. Within the broad framework of national security policy, it is the business of the Defence planners to ensure that Australia has the capacity to intervene decisively when its strategic interests – that is, those interests that impinge directly on national survival – are under threat. Defence planning must remain focused on the adequacy of the national capacity for using armed force in circumstances where Australia's core interests are under threat, and where Australia may need to act on its own motion rather than in coalitions.

Given the complexity of the global and regional strategic environments, this is no easy task. It is one that demands the fully coordinated capacities of the central policy agencies, particularly the Departments of Foreign Affairs and Trade and Defence. In a recent speech to the National Press Club, the Secretary of the Department of Prime Minister and Cabinet drew attention to the importance of “joined-up” government¹². In Dr Shergold's view, Australia is getting better at it year by year. But, in the light of the complex demands imposed on Government decision-makers, it evidently has much further to go. To judge from the ineptitude and cynicism of most current “western” governments, the issues confronting Government are increasingly more difficult and core problems more complicated and more inter-related. Interest groups are more in number, and more differentiated. Public expectations continue to grow, fed in part by the short-term and cynical nature of the manifestos of political parties. Moreover, the number of agencies, interest groups, think tanks and other groups with significant public policy interests that are vying, as Dr Shergold says, for the Government's ear is also increasing. Their perspectives need to be brought into the policy mix.

The question is: how are the silos to be broken down, and how are the wider perspectives to be brought to account? Australia would do well to examine and adapt

¹¹ *2005 Defence Update*, p. 12

¹² Peter Shergold, *Pride in Public Service*, speech to the National Press Club, 15 February 2006.

the process employed by the USA in producing its Quadrennial Defense Review, where, in essence, the views and “mindsets” of the various contributing Departments and agencies are coordinated by an externally contracted coordinator whose job it is to ensure that all angles are covered, and that all agencies that can contribute to the development of public policy do so.

5. ADF Capability Development: Analytical or *Ad Hoc*?

Perhaps the most difficult part of the job of Australia’s defence planners is capability development. At the heart of this difficulty is the fact that decisions taken today for acquisition over 5 to 10 years may only prove their correctness (or otherwise) in the unpredictable circumstances of 30 years time. The F-111, the acquisition of which was announced by the Menzies government in 1963, remains the RAAF’s principal strike platform. The F/A-18, the decision to acquire which was made by the Fraser government in 1982, will still be in service in 2015. The Collins class submarines, the first of which entered into service in 1999, will still be operational in 2025. The point, of course, is that defence hardware remains in service for very long periods of time.

The other side of the time-in-service coin is the immense cost of defence systems. It is for this reason that Defence capability planning and acquisition needs to be based on detailed strategic policy analysis, operational needs analysis, operational effects analysis, through-life cost analysis – to identify just a few of the planning parameters. In addition, Defence undertakes combined effects studies, force options testing and a variety of other analytical methods to establish both need and value for money.

Yet one may be forgiven for wondering just how rigorous or robust the current system is when some key acquisition decisions seem to come out of the blue. It is difficult to see just what studies might have supported the decision to invest in the development of the F-35 fighter – a platform that is not yet in production – as the Joint Strike Fighter to replace the F/A-18. As the costs balloon towards \$20 billion, serious questions are being asked in the USA, the UK, the Netherlands and other nations participating in the JSF consortium about the viability of the program. Equally serious questions are being asked in Australia about the affordability of the project, about the number of platforms that the RAAF might reasonably be expected to operate (as distinct from actually need), about the mix of aircraft for the air combat and strike roles, and about the potential benefits of acquiring the F-22. And the lack of any conclusive statement by the Minister of Defence might suggest that there is, as yet, no basis for such a statement. Yet one could expect that the argument for a possible \$20 billion spend would be pretty compelling.

Similar sorts of questions surround the acquisition of the M-1 Abrams MBT to replace the Leopard tanks, amphibious ships potentially in excess of 24 000 tonnes and the Boeing C-17 heavy lift aircraft. It is not that these capabilities may not have some place in Australia’s defence order of battle: rather, it is that the need for such high initial expenditures and correspondingly high through-life costs has yet to be demonstrated. While the decisions to acquire these capabilities may be supported by the detailed analysis traditionally demanded by Government, the relative absence of

conclusive statements by Ministers concerning both need and priority suggests that they may be opportunistic rather than planned.

If, within the bounds of common sense and affordability, Australia is to develop and maintain a force posture that would enable it to deal with the possible exigencies of the next few decades as the regional strategic environment takes shape, it will continue to need a significant measure of discipline and analysis.

6. The Alliance with the USA: us two, or me too?

It is a central contention of this submission, as mentioned in section 3 above, that a successful national strategic policy depends on the maintenance, defence and promotion of the core values that enable the successful functioning of the nation. As Australia reviews the emerging strategic, social and economic trends within our region, it will become increasingly the case that the long-term maintenance of stability and prosperity will depend to a significant extent on partnership with like-minded countries. While Australia's strategic relations with Europe, especially the United Kingdom, will remain important, the relationship with the USA will remain crucial.

A review of the alliance structures that have characterized the 20th century suggests a number of the key features that need to be taken into account in effective alliance management. There are eight:

- The central *raison d'être* of an alliance will change over time, as strategic and political circumstances change. This is nowhere more clear than in NATO, which is now less a defensive alliance than it is a political union seeking to marginalize (and, to some measure, penalize) Russia.
- Nonetheless, shared values remain a central uniting element in a robust alliance, as has been seen in recent years in the formation of the "coalition of the willing" (the US, the UK and Australia) to oust Saddam Hussein and eliminate WMD
- The centrifugal forces of cultural difference (as expressed in language, religion and cultural mores) must never be underestimated. CENTO was doomed from the start, given the historic cultural and religious differences between its members (e.g. Turkey and Iran), the puppet-dependent nature of the Iraqi monarchy, and the political vulnerability of the Pahlavi "dynasty".
- Consequently, it is important that there are no "surprises" in the management of the alliance relationship. Things must be kept on an even keel, and even small changes in emphasis and direction require careful discussion and negotiation.
- Without a convergence of mutual benefits and obligations, alliances are extremely vulnerable to very small shifts in power balances. SEATO was constructed around divergent expectations from its members – expectations that the major players (the US, the UK and France) never really understood. The US was intent on the encirclement of the Soviet Union; the UK and France were hanging onto the shadows of their former colonial glory; Thailand and the Philippines were looking for US security guarantees against the effects of domestic insurgencies; Pakistan (and remember, this was before the creation of Bangladesh) was seeking security support against Indian encroachments; and Australia and New Zealand were leveraging the ANZUS Treaty in order to consolidate their own forward defence security interests. SEATO held its last

major meeting in Canberra in 1972, and was finally disbanded in 1977, another victim of the Vietnam War.

- Threat based alliances tend not to survive the removal or the destruction of the threat.
- Alliances are very sensitive to swings in public perception and domestic political mood. New Zealand's support for ANZUS was eroded by the combination of two major forces: a growing anti-nuclear movement in the domestic electorate which could no longer see the relevance of the extended nuclear deterrence doctrine of the US; and the emergence of post-war Japan as a free, liberal and democratic society that had become a major trading partner. Indeed, the approach of the Lange government to ANZUS offers a fascinating example of the way significant security and international interests can be sacrificed on the altar of the more basic realities of political survival and opportunism.
- Alliances are also sensitive to the discontinuities in strategic alignment and national strategic power that shape global strategic change. The end of the bi-polar world in 1989, and the emergence of the USA as the world's "hyperpower", has had profound implications for the effective operation of many bilateral political and security treaties. Soviet "treaties" with India and Vietnam, for instance, are now meaningless. The emergence of China as a global power with global strategic reach will inevitably impact on the treaty arrangements with the USA enjoyed by South Korea, Japan, Taiwan, the Philippines, Thailand and Australia. It is not that those alliances will become obsolete: rather, they will require re-definition if they are to maintain contemporary relevance.

The enduring nature of the alliance between Australia and the US indicates that both nations, through successive Governments, have continued to do the "spade work" necessary to maintain relevance and effectiveness. But that depends on dialogue and discussion, not conformity.

Australia and the US both benefit substantially from ANZUS, though in different ways. For the US, the treaty brings a range of benefits:

- It reinforces the US strategic engagement in Asia
- It brings greater weight to US efforts to fight proliferation
- It supports US capacity in information warfare
- It enables trusted counsel on key security issues
- It provides a sound base for sustaining South East Asia's development
- It supports common action in countries like Burma, Cambodia and North Korea
- It provides implicit support for trade liberalization
- It provides a foundation for other regional multilateral security arrangements¹³.

And, of course, ANZUS provided the basis for Prime Minister Howard's decision to support the US "war on terrorism" following the attacks of 11 September 2001.

For Australia, the treaty brings significant strategic and security benefits.

- It signals Australia's role as a key ally of the US
- It provides unparalleled access to classified intelligence sources
- It provides unparalleled access to US military doctrine

¹³ These benefits were identified by Mr Douglas Paal in his presentation to the Australian Parliamentary Seminar *ANZUS After 45 Years*, conducted 11-12 August 1997. See Proceedings (Canberra: House of Representatives, 1997), pp. 127-8.

- It provides critical access to US defence technology, and to the communications and logistics capacities of the US
- It provides the ADF unique opportunities for combined exercises with US forces, both in Australia and in the US
- It provides Australia with a seat at the key US intelligence and policy table to discuss matters of strategic and security significance
- And it provides the ultimate guarantee of Australia's defence in the unlikely circumstances of a major attack on Australia where the ADF lacks the capacity for self-reliant defence.

And, of course, the ANZUS alliance continues to function successfully because of the reinforcing network of relationships at all levels on both sides of the Pacific, which allows for the effective communication of ideas, opportunities and bilateral activities throughout and between both Governments. Moreover, the government-to-government relationship is reinforced through a web of significant private sector relationships, including the Australia-US Leadership Dialogue.

Nonetheless, Australia needs to be sensitive to swings in US policy, particularly where those swings are not in consonance with the policies of other major allies. While, with the benefit of hindsight, most people now see the war against Iraq (as distinct from the war against the Taliban in Afghanistan) as a strategic mistake, the fact is that the USA was unable to persuade its major European allies (with the exception of the UK) of the strategic logic of an attack against Saddam Hussein. Yet the Bush Administration indulged in an exercise of pre-emption and strategic adventurism the strategic costs of which are yet to come to account. Nor was there any strategic logic in Australia's participation in the "coalition of the willing". As I noted in the context of Australia's pre-deployment of forces to the Middle East in the lead up to the war in Iraq, "it is as much a prerogative of friendship to counsel caution as it is to encourage precipitate action"¹⁴.

"Doctrines" such as anticipatory self-defence and strategic pre-emption are dangerous when they are simply a sobriquet for recklessness and adventurism. Moreover, as in Vietnam, decisions to commit military force in circumstances where the nation is not under direct threat will inevitably be hostage to both the willingness of any subsequent Administration to "dig in for the long term" and its preparedness to maintain the financial burden. Even a Republican-dominated Congress is baulking at the growing financial cost of the engagement in Iraq, not to mention the personnel and political costs.

For Australia's alliance with the US to remain relevant to both of us, notwithstanding the disparities of size and GNP, we need to reinvigorate our mutual support for and adherence to the values that unite us as peoples, and where those values are threatened or attacked (as they were on 9/11) move to defend them. But this is not a sentimental (or weak) "me-tooism". Rather, it is an affirmation that Australia and the US are in the business of mutual security and global stability for the long haul.

¹⁴ See A.J.Behm, "Australia's priorities lies closer to home", *Australian Financial Review*, 30 January 2003

At this point, the future of ANZUS looks secure. But it would be a serious miscalculation to forget Lord Palmerston's mordant observation "We have no eternal allies and we have no perpetual enemies: our interests are eternal and perpetual, and those interests it is our duty to follow". As noted in section 2 above, there are powerful forces already in play that will put in place significant changes to the global strategic landscape over the next four decades or so. The rise and rise of China and India will combine to re-shape the global strategic balance, especially in the Asia-Pacific region. The sway of the US will be tested, and it would be reasonable to expect that the passive aggression that has characterized much of China's strategic behaviour in the past three decades (e.g. its bumbling and flat-footed handling of the EP3E incident on Hainan in 2001) will transform itself into a more assertive approach to the management of strategic relationships.

The longevity of ANZUS also depends on the maturation of national character and identity on both sides of the Pacific. It is possible, after all, that Australia might go the way of New Zealand, and coalesce around a domestic issue in a way that renders ANZUS inoperable. Similarly, the US may find the role of universal advocate and supporter of democracy impossible to fill in the long term. To be the world's principal promoter of and investor in democratic practice may simply be unsustainable in the longer term: do the American people want to continue to invest their taxes in foreign excursions that might do something for the way of life of foreign nationals, but fail to address the burgeoning costs of Medicare or retirement incomes?

Commenting on the nature of the global power of the US, the historian Niall Ferguson has suggested, "the United States not only *could* afford to play a more assertive global role but could not afford *not* to"¹⁵. But, in an elegant example of forensic analysis, Ferguson identifies the pressures under which the US currently operates, and questions whether the US has the perseverance and endurance to support the globalization of democracy. He demonstrates what he describes as the three fundamental deficits that undermine its "imperial" (i.e. global) stance: "its economic deficit, its manpower deficit and – the most serious of the three – its attention deficit"¹⁶. Ferguson suggests that it is the last of these deficits – the attention deficit – that might lead the US into a retreat from nation-building in countries to which it has brought democracy (Afghanistan and Iraq, for example) and, further, into an updated form of isolationism.

If, as Ferguson suggests, *apolarity* is a credible alternative to *unipolarity* or *multipolarity* – a world without even one dominant imperial power – then the implications for alliances are significant. Even an alliance such as ANZUS, recast around optimism and shared values, becomes unnecessary to a US that has become self-absorbed, unilateralist and isolationist. Just as its alliances assist the US in supporting and advancing the cause of democratic capitalism, so would they become a hindrance and an irrelevance in an *apolar* world.

The extent to which Australia might have relied on ANZUS for its ultimate defence following its ratification in 1952 was evidently conditioned by the clear demand of President Nixon's 1969 Guam Doctrine that the allies of the US need to provide

¹⁵ Niall Ferguson, *Colossus* (London: Allen Lane, 2004), p. 299, quoting from his book *The Cash Nexus*.

¹⁶ *Op. cit.*, p. 290.

adequately for their own (self-reliant) defence as a precondition to US military support. Indeed, Australian strategic policy has made significant adjustments since ANZUS was negotiated, so that the concept of “self reliance within the framework of the alliance with the US” has become a key feature of Australian strategy for the past two decades.

But, as Australia’s experience during *Konfrontasi* clearly demonstrated, the US is unwilling to come to the assistance of an ally which is either “off on a frolic of its own” or provokes the very circumstances in which military assistance might be needed. The US cannot be expected to act against its own interests, or to erode its own national security in meeting the obligations of alliance arrangements. Lord Palmerston’s admonition remains as true now as it was when he delivered it in 1848. And that is what Australia and the US need to keep at the centre of our bilateral conversation.

7. A Neutral Australia? Should we aspire to be “the honest broker”?

The *Defence of Australia Studies* conducted by the Department of Defence during the 70s examined, relatively superficially, the implications of “armed neutrality” along the lines of the then-Swedish model. Not surprisingly, the idea was dismissed on the grounds of strategic policy, international policy and cost. Strategically, Australia’s interests are significantly more defensible with the advantages of alliances and support from key military partners. From the international policy perspective, a more-or-less isolationist Australia would find it significantly more difficult to secure its political and economic objectives as a “go it alone” nation operating separately from like-minded nations. And, as Sweden found, the impositions on the national treasure deriving from the maintenance of a credible, strong, survivable and independent front line defence capabilities are enormous.

Neutrality – particularly if it is neutrality backed by a capacity for self-reliant defence – comes at a price. Australia currently spends around 2% of GDP on national defence, perhaps a little more if the full cost of security-related spending is included. True neutrality that saw Australia resile from its intelligence and other cooperative arrangements with our AUSCANUKUS and New Zealand partners would involve a root and branch upgrade of our intelligence gathering and analysis capacities. The cost of installing a comprehensive space-based system is probably incalculable: but it would certainly exceed a \$50 billion investment and a \$5 billion per annum operating cost. Then would come an effective tripling of the size of the ADF (if the personnel could be recruited) with all the additional equipment, training and operating costs that would entail. The net effect would be, at a minimum, the quadrupling of the annual defence budget with huge additional investment costs.

Neutrality is the first precondition for the role of “honest broker”. But, if neutrality is effectively an unattainable option, then it is impossible to take on the role. Some wag once said that the term “honest broker” is an oxymoron: the honest broker is rarely a broker and never honest.

Australia should look to the emerging strategic environment with concern, though not alarm. As pointed out earlier in this submission, fundamental changes in the global

and regional strategic architectures are already underway, and the potential for profound discontinuities and significant miscalculation is real. But it would be the height of delusion and folly to imagine that the effects of such discontinuities and miscalculation can be avoided by pursuing neutrality. It would be tantamount either to burying our heads in the sand or saying “stop the world – we want to get off”. Rather, Australia’s best option is to decide who we are, what we believe in and value, who our friends are and what we have in common with them, and getting on with the business of realizing our shared strategic, political, economic and social goals.

This is not to suggest that Australia simply conforms to the direction of its allies’ policies. Rather, it is to recognise that Australia shares fundamental strategic interests with its allies, especially the US, and that these interests must lie at the centre of the Australia/US relationship.

At the Australian American Leadership Dialogue held in Sydney in August 1999, Mr Richard Armitage proffered some telling advice on the choices Australia would have to make should the US and China resort to armed conflict over Taiwan. Mr Armitage said that the US would expect Australia to provide meaningful military support to the US in order to carry out “dirty, hard and dangerous” work. He noted that not only were Australia’s interests directly engaged in the outcome of such a confrontation, but that its alliance with the US would indicate such support. Mr Armitage was, at the time, an influential and well-placed member of the Republican team-in-waiting. He was subsequently appointed as the Deputy Secretary for State in the Bush Administration. His ideas still have currency.

Mr Armitage may have been intending to be helpful to Australian policy makers. He was certainly right in identifying the dilemma facing them: how would Australia seek to balance the economic advantages deriving from its relationship with China with the strategic benefits it derives from its relationship with the US? At the time, Canberra policy advisers ran for cover, concerned as much with avoiding admitting an unpleasant truth to China as with facing up to a US expectation deriving from alliance arrangements.

The next day, Alan Jones, a presenter at radio station 2UE in Sydney, put the issue to Mr Alexander Downer, the Minister for Foreign Affairs. Mr Downer commented:

No government is going to get into a position of speculating on a whole series of completely hypothetical scenarios. . . . In foreign policy, much as it is fun to discuss these scenarios, you can’t publicly canvass those sorts of things. . . . We can only urge China and Taiwan to work together.¹⁷

This is, of course, a textbook Foreign Minister’s reply. Why court the danger of making a choice between the US and China when the problem can be reformulated as a China-Taiwan issue. And diplomacy is, rightly, about steering between hard issues in order to maximise the benefits of even-handedness.

But strategy must deal with the ‘what ifs’. What if China and Taiwan cannot work together? What if Taiwan were to provoke a Chinese military retaliation for an excess of independence? What if China were to sanction a more assertive and strident Taiwan by pre-emptive military intervention? What if centrifugal tendencies within

¹⁷ The Hon. Alexander Downer MP, 31 August 1999 (DFAT transcript)

China itself were to lead Beijing to assert its authority once and for all over Taipei? What if China and the US were to confront each other over an altogether different issue? Could Australia reasonably remain neutral with respect to either the protagonists or the outcome? It is the view of this submission that, while any Australian government would have a range of options, neither support for China nor neutrality would provide a realistic *strategic* response for Australia. An Australian government would, of course, seek to maximise benefits to Australia that might emerge from the resolution of a China-US confrontation. But, in the sorts of time frames that are credible for force planners (roughly the life span of major current and planned weapons systems), Australia's strategic interests align with those of the US. That is a critical fact that must shape Australia's approach to the emerging strategic environment.

8. Australia's Defence Requirements: What Matters?

As noted in section 4 of this submission, the *2005 Defence Update*, besides drawing attention to the importance of WMD and terrorism as major threats to global security, identifies a number of non-traditional tasks in which the ADF might become involved. It is curiously quiet on the traditional demands on defence forces – the lawful employment of armed force to secure the nation's interests as decided by the Government of the day.

It is obvious that WMD and terrorism are critical issues, as are international organised crime, piracy, drug law enforcement and border protection. It is always important, however, to go back to first principles when examining the capabilities that are needed for national defence. One must ask the question: are any of these important tasks in which the ADF might become involved susceptible to resolution (except in the most partial and temporary sense) by the use of armed force? And if they are not, how is the national defence capability to be determined?

While it might be sensible to develop niche capabilities designed to address security problems such as WMD and terrorism, it is important to remember that the core functions of a defence force centre on the application of armed force in circumstances where the Government of the day sees the nation or its allies directly threatened. Put more bluntly, WMD and terrorism are simply irrelevant as determinants of the ADF's force structure and operational doctrine, because they are ultimately amenable only to constructive international cooperation and sanctions on the one hand, and to combined international efforts in intelligence, law enforcement and effective prosecution through the courts.

Over the next two or three decades, the range of plausible defence contingencies that might confront Australia suggests that a continued focus on the core defence capabilities will be critical. These include but are not limited to:

- Advanced C³I systems, with an emphasis on the conduct of network centric warfare
- Advanced intelligence, surveillance and reconnaissance capabilities
- Air, ground and maritime defence capabilities
- Air and maritime strike capabilities (including early attention to a follow-on Collins submarine)

- Further development of the hardened and networked army, ensuring that its capacity for manoeuvre and organic self-protection makes it both successful and survivable
- The ability to maintain both sea denial and sea control in the maritime approaches to Australia, which means that the surface fleet must be air warfare capable
- Sea and air logistics to ensure that the ADF can operate effectively within the immediate region, with the further development of commercial arrangements to support the ADF from the civil logistic infrastructure.

The bottom line is that the ADF must be able to act decisively to meet the Government's responsibilities for national defence.

This may look like "more of the same", and that is to some extent the case. The future is problematic, and the ADF must continue to be able to fight and to win. But there are some significant differences in prospect:

- As the battle space becomes more complex, the key demands will be battle space awareness (intelligence) and precision
- The battle space will probably become less warrior populated, even in the demanding urban environment as uninhabited vehicles and precision over-the-horizon targeting combine to provide greater lethality at lower casualty levels
- The denial of strategic initiative and operational advantage to the adversary will become an even more important part of strategic planning
- The exercise of command will become even more complex as the political context of warfare becomes more dense and less predictable, and this, in turn, will require changes to the legislative base on which the ADF will operate
- The inevitable move towards "effects-based operations", that is, the emphasis on strategic effects as distinct from operational or tactical effects, has profound consequences for strategic decision-making
- There will certainly be a greater emphasis on coordination within Government to ensure that the entire range of capabilities is brought to bear ("joined-up Government")
- And to manage all this, every aspect of ADF management will require thorough review: recruiting, training, retention, through-life career management, the retention of critical skills post separation from the ADF and the further integration of the military/civilian policy elements in the central planning divisions.

But perhaps the fundamental defence requirement for Australia as the strategic future unfolds is to maintain confidence and national resolve, to retain the ability to take hard decisions based on principle, and to ensure that the ADF is maintained as a credible fighting force rather than a collection of niche capabilities (the whole inevitably being less than the sum of the parts) or a constabulary force suitable for little more than international peace-keeping.

Canberra
21 April 2006