COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE DEFENCE SUBCOMMITTEE

Reference: Australia's maritime strategy

WEDNESDAY, 26 FEBRUARY 2003

CANBERRA

BY AUTHORITY OF THE PARLIAMENT

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **http://www.aph.gov.au/hansard**

To search the parliamentary database, go to: **http://search.aph.gov.au**

JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Defence Subcommittee

Wednesday, 26 February 2003

Members: Senator Ferguson *(Chair)*, Mr Brereton *(Deputy Chair)*, Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, O'Brien, Payne and Stott Despoja and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thomson

Subcommittee members: Mr Scott *(Chair)*, Mr Price *(Deputy Chair)*, Senators Chris Evans, Ferguson *(ex officio)*, Hutchins, Johnston, Sandy Macdonald and Payne and Mr Baldwin, Mr Beazley, Mr Bevis, Mr Brereton *(ex officio)*, Mr Byrne, Mr Edwards, Mrs Gash, Mr Hawker, Mr Lindsay, Mr Nairn, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

Senators and members in attendance: Senators Ferguson, Hutchins, Johnston and Sandy Macdonald and Mr Somlyay, Mr Price and Mr Scott

Terms of reference for the inquiry:

To inquire into and report on:

The ADO ability to deliver the necessary capabilities to meet Australia's strategic interests and objectives as defined in Defence 2000, with specific reference to the:

- ADO capability to apply the maritime strategy outlined in Defence 2000 in the current strategic environment;
- primary roles in Australia's maritime strategy of the key components of the ADO, including the three services, Defence Intelligence Organisation and ADF Command and Control structure;
- impact of Australia's maritime strategy on ADF capacity to participate in combined, multi-national regional and global coalition military operations;
- integration of maritime strategy with the other elements of Australian national power to achieve specified national strategic interests and objectives;
- impact of the evolving strategic environment on Australia's maritime strategy; and
- integration of Australian Defence Industry into capability development to support a maritime strategy.

WITNESSES

Subcommittee met at 9.49 a.m.

REEVE, Dr John (Private capacity)

CHAIR—I declare open the second public hearing by the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into Australia's maritime strategy. Today the subcommittee will take evidence from the Australian Naval Institute, Dr John Reeve, the Australian Centre for Marine Studies, Air Marshal Evans, the Centre for International Strategic Analysis, Dr Alan Dupont, Brigadier Jim Wallace and the Department of Foreign Affairs and Trade. Representatives from the Centre for International Strategic Analysis, who are located in Perth, will give evidence through a real-time videoconference starting at 11.45 a.m. sharp. Before introducing the witnesses, I will refer members of the media, who may be present at this hearing, to the need to fairly and accurately report the proceedings of the committee. I welcome now Dr John Reeve to today's hearing. For the benefit of the committee members, we would be interested in a brief precis of your background.

Dr Reeve—Thank you. I am very pleased to be here and I would be happy to do that. I appear here in a private capacity as someone who has had significant experience in the areas of naval history and maritime strategic issues.

The chairman has asked me to say a few words about my background for your benefit and information. I am an Australian by birth and an Australian citizen. I am a graduate of universities in Australia and the United Kingdom. I took my doctorate at the University of Cambridge in 1984. For some years I specialised in political, diplomatic, international history and, for the last 15 years, I have moved progressively into the areas of international and strategic history with a particular emphasis on naval history and maritime strategy.

I have taught in a variety of universities in Britain, North America, Asia and Australia. I am currently teaching at the University of New South Wales at ADFA, the Australian Defence Force Academy, in Canberra. I might add that I am a member of the International Institute for Strategic Studies which is based in London.

Perhaps some of these details will provide some helpful context for you. I will do my best to answer your questions. The chairman has asked me to make a brief introductory statement.

CHAIR—Just before I ask you to make a brief opening statement, could I just say that although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you and I would ask you now, if you wish, to present any additional submissions or make an opening statement to the committee.

Dr Reeve—I have no additional submission to make. I am happy to rest on the material that I have already put before you. I would like to simply make some introductory remarks building on what I said in the submission and emphasising some points in it. The first point I would like to emphasise is that I do speak as a historian and a strategic commentator. I do not speak as a naval officer. I do not speak as a warfare officer or a technical operator in this sense. The second point I emphasise is something which is very important to appreciate and that is that maritime

strategy is different from strategic thinking on land or over the land. This is a different strategic environment and it is not always appreciated.

I think that maritime strategy draws a big map. Sailors tend to draw bigger maps than soldiers because the sea is one. If you look at the map, without putting too fine a point on it, all of the blue is connected. An example I often give to students is the question: why did Admiral Yamamoto wish to destroy the US Pacific fleet at Pearl Harbour in 1941? He did not simply wish to destroy a major American military strategic asset; what he wanted was for the US Pacific fleet not to interfere with the Japanese conquest of South-East Asia. All of the blue is connected. This is a very important point.

So this is a more dynamic strategic environment than strategic thinking or activity on land or over the land. The sea cannot be fortified. It is impossible to create Maginot lines on the sea to quarantine certain areas of the sea. It is a very dynamic, always moving environment, not a fortified or static environment. This was quite clear in 1941, early 1942, when the Japanese, who threatened our position in this part of the world, seized sea control in a very fluid and rapid fashion.

I would also make the point that maritime strategy is about communications and lines of communication with the ships that move from point to point. It is not about territory. It is not about seizing, holding or gaining territory. A good example of this is the Japanese threat to Australia in 1942. The Japanese threat was primarily a maritime threat. It was a threat against our sea communications. That was really the mortal danger that faced this country in 1942. That is a good example of the way in which maritime strategy is about lines of communication in the wider sense.

A third point I make is that people think about maritime strategy; therefore they think about navies and, therefore, they think about ships, platforms and aircraft. Especially during the last 10 years, in the age of the revolution in military affairs, it is very important to think in terms of capabilities, the general capabilities which are produced and generated by a whole force organically rather than thinking in terms of individual platforms: this ship, this aircraft and so on.

I would like to highlight various points in the submission I made to you. There is a good news point and that is that maritime strategy is the strategy of a fortunate country. It is the strategy of a lucky country. Maritime strategy provides options. Landlocked countries have fewer options. Continental countries with continental enemies, or potential enemies, have fewer strategic options. Maritime power gives options to government and this is a point I stress. It gave options, for example, at a bad time in 1942. Australia, in conjunction with its American allies, was able to bid for sea control to retain control of the seas in our region. It was able to fight forward in the islands and in New Guinea. It was able to build up its forces at home because its sea lines of communication were protected.

Maritime strategy provides strategic options at the local level. It can also provide strategic options at the wider level. A simple but effective example of that was the Australian deployment to the last Gulf War in 1990 and 1991. A naval task group was a very effective option. Another point I emphasise is that maritime power allows graduated force short of war. This is a very important option for governments to have. The Gulf blockade against Iraq in the 1990s is a very good example of when you wish to act but you do not wish to provoke.

A classic example of graduated force was the naval presence during the INTERFET operation in Timor which General Cosgrove has acknowledged as being an effective cover and deterrent: graduated force short of military force. A point I draw out of the submission is that we do need to link maritime strategy to counterterrorism. I think we are in a new age, the age of a war on terror. I think things have to be brought together.

I will go back to this point just for a moment: maritime strategy for a maritime nation does mean a wider context for our strategic outlook, not simply because the sea is all connected but because so much of our trade depends upon our sea communications and that is not confined to the continental area. By the end of the 20th century 70 per cent of our trade by value and well over 90 per cent by volume went by sea across vast distances.

The last point I make—and I stress this as a very important point—is that sea control is the critical factor in maritime strategy. Simple sea denial—denial of access or an attempt to deny use and access to another power, an enemy—is not sufficient. It does not guarantee your ability to use the sea for your own purposes, commercial and military.

For maritime states such as Australia, sea control is critical. Without it you are threatened, as we were in 1942. Without it you may well be defeated. I would suggest that sea control has been the critical factor in our national security, probably since 1788. Historically it is important to appreciate that this country was the product of a great global maritime imperial scattering. Our major cities are on ports. We are a maritime nation in this sense. I will leave it there. I hope that has been of use to you.

CHAIR—Thank you, Dr Reeve. Any questions?

Senator JOHNSTON—Thank you, Doctor Reeve, for your submission which I did appreciate. I will refer to a couple of the quotes that you have given and then follow them with a question. On page 5, you state:

> The counterterrorist war must also be prosecuted in a world in which conventional inter-state conflict remains possible. Within these contexts, there is an urgent need for sustained discussion of the relationship between maritime strategy and counterterrorism.

Then further down, you state:

> There is a need to connect the strategic and operational requirements of a war against terrorism with traditional principles of maritime strategy. The best historical illustration and parallel may be the British naval campaigns of the nineteenth century, which combined warfighting and power projection roles with policing against piracy and slave trading as well as naval diplomacy. In the theoretical sense, the best basic construct would seem to be the widely recognised trinity of naval roles: military, constabulary and diplomatic.

I thought that was very concise and essentially encapsulated the problems we are confronting now. Firstly, what does the Navy need to do, in your view—and I am asking you to be the armchair admiral you probably do not want to be, as you initially stated to us. What are they practically going to look like in this new dimension? The emphasis has shifted from the traditional, conventional type of threat, to this non-state asymmetrical type terrorist activity. How are they going to adjust? What do you want to see them do differently, if anything? Then, let us go from the Navy to generally all senior arms of the service: overall, what changes do we need to make on a national strategic basis? Two questions as to this new dimension: how do we

adjust to it on a practical level in navy? What do you want to see them do? Then, generally, what does our outlook change have to be?

Dr Reeve—Thank you. I welcome the opportunity to talk about that. You have asked two questions about force structure, one relating to the Navy and one relating to military defence forces in general. I preface my remarks by saying that I fully agree that we are in a new age. The threat which is at present at the front of our minds obviously is one of terrorism. I suggest, however, that the conventional threat cannot be discounted. It is hard to say what is the extent of non-conventional or conventional threats—which predominates—especially with a war on terror unfolding and likely to be with us for some time.

Also, you are right in the sense that there is no immediate conventional military threat to Australia. I would simply add that threats and emergencies can arise very suddenly: for example, as in the invasion of Kuwait and the first Gulf War in 1990-91; also the Timor emergency in 1999. Our region remains one of great strategic sensitivity. Obviously the eyes of the world are on Iraq at present but areas such as East Asia, the Taiwan Strait and the South China Sea are some of the most sensitive strategic areas of the world. Maritime weaponry is increasingly being deployed in our region. I would say that we cannot discount the conventional threat and we need to remember that, at the same time as we think about counterterrorism.

When I suggested that traditional principles of maritime strategy need to be integrated with thinking about counterterrorism and counterterrorist strategy, I was conscious that I was seeking to put something on the agenda, rather than offering a set of completely worked out answers. I would simply respectfully flag this as an area for all sorts of experts to think about. This is something we need to think about because terrorism will not go away but, at the same time, we need a maritime strategy.

As to force structure, in naval terms we need a traditional naval force structure. Sailors often talk about the merits of a balanced fleet but historically there is an advantage to the traditional balanced fleet because it makes the most of the versatility of maritime forces in that they can operate with graduated force. Basically, as I said in the submission, graduated force is the thing which you need for counterterrorism. You need to be able to operate at a high intensity level of operations if you have a significant conventional threat. You need to go down a gear or two if you are operating, for example, against potential terrorist activity or bases and safe havens, perhaps if they are established in the region.

In terms of force structure, if we are thinking about counterterrorism and maritime strategy together, we need adequate numbers of surface warships, because these are the essential skeleton of a balanced fleet. They are the strategic asset which can operate at different levels of operational tempo and over, on and under the sea at the same time. If you emphasise a balanced fleet with sufficient surface warships what you do is maximise the traditional versatility of maritime forces. As I said in the submission, in order to bring maritime strategy into counterterrorism basically what you are doing is building on existing maritime and naval strengths.

One particular area we could think about very fruitfully is power projection capabilities against things like terrorist safe havens and so on. One might think about strike capabilities from naval assets or about the issues involved in replacing the LPAs, the *Manoora* and the *Kanimbla*. What sorts of joint capabilities are needed to enable power projection by land or

infantry forces, for example, into the archipelago to the north if there were any suggestion of terrorist activity presence, safe haven or whatever? So those are the sorts of issues I would flag in relation to what you have said.

I know less about land and air forces, but I would suggest that what we need is the same writ large. What we need is a balanced and integrated force. There is no point in having a large army if it cannot be projected, delivered and protected. That is just one example. I hope that goes some way towards answering your question.

CHAIR—Dr Reeve, some of the groups yesterday said that we have sea denial rather than sea control. You might like to give the committee your opinion on whether we have sea denial capability only or whether we have sea control. I think there are two levels there which are distinctly different in terms of capability. I would like to hear from you as to how you would see our capacity. Is it one of sea denial as part of this strategy or should it be sea control? You elaborated quite extensively also on our trade routes and the importance of trade which links into sea control versus sea denial.

Dr Reeve—I did emphasise that in my submission. I would welcome the opportunity to talk about it again. There are two distinct maritime strategic aims. One is clearly superior sea control in maritime strategic terms. I have written about this extensively in a case study of the Japanese advance into the archipelago and the Japanese defeat. In short, it is how not to defend the inner arc. The Japanese showed the way you do not do it is to rely upon a denial strategy with essentially isolated garrisons on islands, even if they are enhanced by land based air forces. If you surrender the broader control of the maritime environment, what you have allowed in that circumstance is the allied forces to shape the conflict, to write the strategic script, to outflank, to attack the enemy's weaknesses, to have the options and to win.

I would suggest that sea denial, in the words of Admiral Stansfield Turner, is guerrilla war at sea. It is less assertive. It does not guarantee you the opportunity to move your own goods, to move your own military forces. It is more of a strategic risk, and dangerous in that sense. I think the Japanese case study can be quite salutary for us. We do not want to get into that kind of fix. We want to have a more assertive maritime strategy which seeks to control, in the words of Sir Julian Corbett, where, when and how we wish to control the sea. Sea control is never absolute; sea control is never permanent. What you need is the ability to control the sea when and where you want it; to use it for your own purposes and deny it to somebody else.

I do not believe there would be any significant debate about this from historians. Centuries of naval history suggest strongly that sea denial fails without control—that if you are seeking to deny the sea you will not succeed unless you control it in every dimension and in every way. I think there is an excellent counter-factual example here as between the German submarine campaign in the Atlantic during the Second World War and the American submarine campaign in the Pacific in our region during the Second World War. They are both campaigns for sea denial. One fails because it does not have sea control—that is, the German U-boats; one succeeds in an awesome fashion. The American submarine campaign against the Japanese was the most successful blockade in naval history. Such a campaign decimates the Japanese merchant marine and isolates their garrisons. Why? It is because it built upon wider control of the sea which was secured by the Allied fleets, principally in fleet actions at Coral Sea and Midway, but progressively and more extensively.

I think it is very important to appreciate that sea denial has its place, but it is a far less desirable and more dangerous strategy for a maritime nation. It is important to appreciate that we are not a continental nation. I always tell students that Australia is an island with a continent in its head for various cultural reasons. We could have a historical seminar about this but our economy depends upon the use of the sea. Given that, a denial strategy I would suggest is not good enough. We need to be able to control the primary environment for ourselves. Slightly different but useful historical case studies include, of course, the long history of Britain. It was an island and, if it did not control the seas around it immediately and more extensively, it was going to be defeated. We are an island. We are just a bigger one.

Mr PRICE—I think one of the lessons from the Americans was that they were far more effective once they fixed their torpedoes up in the Pacific.

Dr Reeve—Yes, that is true. All new systems, of course, have teething problems.

Mr PRICE—Yes. We have some of our own. Could you tell us how we protect our sea lines communications?

Dr Reeve—That is a critical question—a very broad one. It depends on the circumstances. It is important to have the ability to respond to a particular threat in an area of threat. If threats arise to portions or parts of our sea communications, it is important to have area defence which, in today's naval warfare, involves air warfare capability. I appreciate the question you are asking. It is important but it is also general. I find it difficult to answer in short or simple words. Basically it would depend on the circumstances.

Mr PRICE—I will be more specific. I understand in relation to piracy that the Japanese are providing some escorts now for some of their tankers, but I do not know if our Navy is tasked that way at all. Given our heavy reliance on the foreign merchant fleet for our trade, doesn't that mean we are very vulnerable to pirates?

Dr Reeve—Yes. I do not believe our Navy is tasked specifically in that way. Piracy has been a problem in this part of the world for many centuries. At present it is not as visible or salient on our radar screen as counterterrorism. There is a case for thinking about these sorts of issues, but I think it is the sort of thing that is also best tackled at the international level in terms of cooperation with our maritime friends and allies. It is a constabulary duty and is not one which can adequately be policed by a single power.

Mr PRICE—Do we have any collective arrangements?

Dr Reeve—I believe we do, yes, although that is an area I am less familiar with.

Mr PRICE—Are you aware whether they have been formalised or whether they are informal arrangements?

Dr Reeve—I am sorry, I cannot answer that question.

Senator HUTCHINS—In your opening statement, Dr Reeve, you mentioned terrorist safe houses and talked about the possibility of the Navy taking them out. Do you see these terrorist

safe havens in other states? Do you see our naval or armed forces having to go into Indonesia, West Papua, the Solomon Islands and go over the top of those sovereign states?

Dr Reeve—That is a very important question. I will make a couple of more strategic points. That is really a diplomatic point which I will come to. The strategic points are that we need to think ahead of the game. The great chain of islands to our north is not infested with terrorist safe havens at present. It is quite conceivable that more could find root there, so this is a problem we need to think about. It is thinking ahead of the game. If that needs to be dealt with, it is not purely naval. It is something that has to be dealt with in terms of joint operations of different aspects of our Defence Force.

Your point about the diplomatic sensitivity of this is very well taken. The point I would make is that terrorism is something that has to be dealt with in a cooperative rather than an adversarial way, because the only way in which you will succeed is with the cooperation of other states and friends in the region and pooling resources and local knowledge. The other thing, of course, is that it is a very diplomatically sensitive thing to go wandering around the region with active military forces and strike capabilities unless you have transparent understandings and goodwill from the people you are cooperating with up there.

Senator HUTCHINS—In your submission, you commented on the need for flexibility in military capability, given uncertain demands made of it. In your assessment, what are Australia's strengths and weaknesses with its force structure in this regard and how is it limited by Australia's maritime strategy?

Dr Reeve—Maritime strategy should impact upon force structure. At the same time, a strategy needs the force structure and resources to implement it; otherwise it is simply an academic exercise. I suppose another way of putting your question—and correct me if I am wrong—is do we have the forces to achieve sea control at present when and where we need it? That depends upon the circumstances. Against another major power, no, I do not believe that we do. Against a lesser threat that may arise, that may be more feasible.

Particularly in the age of the revolution in military affairs, where there are niche capabilities and technical specialisations, I think we always have to remember our allies and the fact that the chances are that we will need them rather than we will not need them in any assertion of our maritime strategy. An example, of course, is Timor. It is quite well-known publicly that there were important and vital American capabilities and support—British and others as well—which were provided to us at the time of Timor. Timor is, in fact, a very good case study. We were able to insert forces and stabilise the situation because we controlled the whole maritime environment. One thing I said to students in 1999 was that, if you want to understand what Timor will be like, study the Falklands War without the shooting—because it is a similar kind of archipelagic environment—and, if you control the sea and the waters around it, you will be able to control the situation.

Your point about force structure is well taken. What do we need? Having said that it depends upon the circumstances, I think there are significant gaps in our naval maritime force structure at present. Since the decommissioning of the DDGs—the destroyers—we lack an area defence capability, which is vital. We were very lucky that, at the time of Timor, the troop convoys to Timor had the benefit, for example, of the British warship HMS *Glasgow*, which had a proven air warfare capability during the Falklands War, and American assets as well to fill this gap.

We need to think about strike capabilities. This is a gap in our naval force structure. We also need to think about the issue of how the LPAs are replaced—whether they are replaced by two platforms or one; whether size would be bigger; what sort of air capabilities are needed. I am not a procurement specialist, but in the world today there is a whole range of possibilities for amphibious platforms for joint power projection and that is an important area to think about in terms of force structure. The short answer to your question is that, depending on the job, we might be able to do it. The chances are, as for the last 100 years, that we will need our friends and allies to a greater or lesser extent, and we need to think about these gaps in our naval force structure.

Senator HUTCHINS—Do you see any potential threat to Australia or its interests in the future?

Dr Reeve—From conventional or non-conventional—

Senator HUTCHINS—Adversarial nation states.

Dr Reeve—I see no necessary potential threat from conventional forces of a foreign state to Australia at this point. That is not to say that one will not arise, and that is not to say that other people might not see the situation differently.

Senator SANDY MACDONALD—There is an enormous potential threat in the region, in the sense of a possible complication on the Korean peninsula with Japan, North Korea and South Korea. That would be an enormous threat to Australia's economic wellbeing, because of the nature of our exports to the region. I do not know what it is, but probably 40 per cent of our exports go to Japan, South Korea and China, so there is an enormous economic threat to Australia.

Dr Reeve—Yes, and this builds on my answer to the previous question. The previous question was about potential threats, which I understood as a direct attack on Australia by an individual power. There is a much greater likelihood of a general threat in terms of instability in the region, and obviously there are potential flashpoints in the region. None of us has a crystal ball, but any of them could go bad at any time, and it is important to think about the importance of East Asia to our trade. I do not have the precise figures off the top of my head, but of the order of 60 per cent of our foreign trade is done by sea with the combination of South Korea, Japan and Taiwan.

This goes back to the point about us understanding our strategic outlook and a maritime strategy and not simply in terms of national territory. One thing I say to students is national territory and national interests are very different, and our national interest is much wider than our territory. Indeed, our maritime territory is much wider than our dry land. We have responsibilities, of course, in our wider maritime territory. In brief, I agree with you wholeheartedly. I would put it in short words by saying that the difference between thinking in terms of the continental or denial strategy and a wider regional and maritime strategic outlook is: one can live in a safe house or one can live in a safe neighbourhood, and most sensible people prefer to live in a safe neighbourhood.

Senator SANDY MACDONALD—The question I wanted to particularly ask you was about the war on terrorism. You mentioned it in your submission and again this morning. The war on

terrorism is really not a war at all in a conventional sense. It is a war of grinding intelligence gathering. I wonder whether you had a view on that, particularly Australia's capacity to gather intelligence and how that blends in with a maritime strategy—a view of regional responsibility; a regional response to terrorism and the regional cooperation that is required.

Dr Reeve—I am not a specialist in intelligence affairs, I have to say, and the sensible thing is to say that. Obviously the whole intelligence dimension is international and cooperative. What I could say more usefully is that I agree with you that the war on terror is not a war in the conventionally understood or traditional historical sense. It is a different kind of war, but it involves potentially every kind of national asset, from policing and intelligence gathering to diplomacy and military force applied at every level.

I think it would be wrong, for example, to exclude the recent conflict in Afghanistan from the war on terror. I am not a Middle East expert; the Iraqi issue is obviously more debatable and is being publicly debated. But, clearly, there is a link between the terrorist threat in other parts of the world and the bases that did exist in Afghanistan. I am simply using that as a point to demonstrate that it is as much a military fight as the sorts of things that you are talking about. It is only part of military history that suggests what might happen. It is the military history of policing, of anti-piracy, of guerrilla warfare—these sorts of things.

Senator SANDY MACDONALD—It is not really. The terrorist threat that we face now is not like previous terrorist threats. It is not like a Red October or a Black Panther or Red Brigade; it is not a hijacking situation; it is not an embassy siege. The difference now is that we are dealing with people who do not wish to negotiate. That is the real difference between then and now. This is my view. Whether we like it or not, we are dealing with people who do not want to negotiate; they wish to kill us. Don't forget that! That is the dimension in which we find ourselves.

Dr Reeve—I agree completely. I think there are two ways in which it is new. It is new in the suicidal sense of which you speak; it is also new in the sense that it is international. Previous terrorist threats have been very much regional or local, or intrastate threats. This is an internationalised threat.

Mr SOMLYAY—Could you comment on whether there is a case for Australia to have a carrier in this new environment. How many nations do have aircraft carriers?

Dr Reeve—I had a feeling someone was going to ask me that question.

CHAIR—It is the last question, too.

Dr Reeve—That is right. Various states in our region have carriers. Obviously the Americans have very powerful carrier forces. Various states in our region, broadly speaking from the Indian Ocean to the Pacific, have acquired carriers or have indicated their interest in acquiring aircraft carriers. In an armchair sense, in an academic sense, that is an absolutely invaluable asset—an aircraft carrier—in having a true maritime strategy. The question is resources. I am not a procurement specialist or a financial specialist but I very much doubt whether this country could afford a modern fixed-wing strike carrier. Talking about carrier issues in general, it is important to leave the carrier debate of 20 years behind us. I am not suggesting that you have not, but I

think many people do not. I think many people are still discussing the carrier issue of 20 years ago, but the strategic environment has moved on. Technology has moved on.

The issue is capabilities not platforms and we have to think sensibly in terms of what we can afford—for example, the issue of what sort of air capability might be based on a replacement for *Manoora* and *Kanimbla*, if that were one platform. These are issues we need to think about because land based air cover has a limited range. We need to think about what we can reasonably do. We need to think about specific scenarios and what our allies might be able to offer us in certain circumstances. In short, in an ideal sense, strategically, yes, it would be lovely. Diplomatically, it might be more complex, but in financial terms I suspect it is not feasible.

CHAIR—Dr Reeve, thank you very much for your presentation and evidence this morning, and for your attendance here today. If you have been asked to provide any additional material, would you please forward that to the secretary. You will be sent a copy of the transcript of today's evidence, to which you can make corrections of grammar and fact. I notice some of our naval people here are showing keen interest in that last question and your answer, and I am sure many other commentators as well.

Dr Reeve—Thank you. It has been a pleasure.

[10.37 a.m.]

ADAMS, Mr Harold John Parker, Chairman of the Board, Australian Centre for Maritime Studies

CHAIR—I welcome representatives of the Australian Centre for Maritime Studies to the hearing. Although the subcommittee does not require you to give evidence on oath, I advise that these hearings are legal proceedings of the parliament and, therefore, have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you. Do you wish to present any additional submissions or make an opening statement to the committee? As you know I am well versed in your background, you might like to outline for the benefit of the committee a very brief precis of your own background which I know has a significant military career.

Mr Adams—Thank you very much, Mr Chairman. I was born in Victoria.

CHAIR—We won't hold that against you.

Mr Adams—I used to tell Malcolm Fraser that—'You can always tell a Victorian, but you can't tell him much.' I joined the Royal Australian Navy in 1946 and I retired from the Royal Australian Navy in 1986 as a commodore. Since then I have had a farm outside Canberra and am currently battling a century drought, but I have been spared from the bushfires. Since leaving the Navy, I have been involved with the Centre for Maritime Studies. I have been the National President of the Regular Defence Force Welfare Association and I have also been a vice-president of the Navy League of Australia. They are the main organisations that have kept me involved with the defence debate.

CHAIR—Thank you.

Mr Adams—Mr Chairman, I have a short supplementary submission which I would like to read.

CHAIR—Yes, please.

Mr Adams—This complements the submission that we made to the inquiry late last year. I have tried to encapsulate the angle that we come from. I think it is important to understand that the Centre for Maritime Studies is a private independent nonprofit association incorporated in the ACT. Our objectives are the dissemination of information across the whole range of maritime issues and our activities cover the whole gamut of maritime affairs. We try to avoid duplication of work undertaken by other institutions. As such, we believe we are a unique organisation in Australia.

Every two months we produce *Maritime Studies*, which goes out to subscribers and also to a fairly wide range of institutions overseas, universities in North America, the Law of the Sea Tribunal in Hamburg, universities in the UK, Holland, China, India, just to mention some of them. It is a very highly regarded publication. Of course, in Australia it goes to a lot of

institutions as well. I have copies of some of the recent issues of *Maritime Studies*. 'The Law of the Sea Convention and actual and potential cause of increased intrastate maritime conflict' is one of the articles that appears there. That is the type of article we publish. It is a refereed journal and is well regarded internationally and within Australia.

We also produce monthly the *Australian Maritime Digest*, an intelligence paper which mainly has subscribers in Australia. It addresses issues of maritime policy being addressed by government and state governments. For instance, in December last year there was an article on international affairs and the declaration of conduct of the parties in the South China Sea, which, as people would be aware, is a major area of contention; articles on piracy, oceanography, maritime safety, the environment, blue whales, fisheries, marine science, defence; and articles on the protection of the scallop industry in Bass Strait. It also covered forthcoming lectures. That gives you an indication of the scope of the matters that we cover. Defence would be one of those, and it is in that capacity that we have put it there.

We saw your terms of reference as being somewhat wider than the narrow defence issue. We believe it is important that the committee understands the broad issues of Australia as a maritime nation. We are, after all, the only continental land mass on the globe which comprises a single nation state. That puts Australia in an extraordinarily valuable position. We have no land borders and, of course, that generates this enormous offshore area, greater than the Australian continent itself and extending down to Antarctic, where we claim large areas. They are also very productive areas.

It is our belief that Australia as a nation has to be more focused on the totality of its maritime affairs. I add that under the minister, Barry Jones, Professor McKinnon undertook an inquiry into Australia's maritime affairs. He produced a very good book called *Oceans of Wealth—an*d that was supported by a seminar that we ran in conjunction with it to bring all these things into focus—and made a number of recommendations as to how we could better coordinate these issues of maritime affairs at a federal level. Sadly, Barry Jones was dropped from the ministry, but he really had a very focused national outlook on that matter. That report has just vegetated, which is rather sad. But we moved on and the Howard government addressed the question of a national oceans policy and we have a council of national oceans ministers, supported by the National Oceans Office in Hobart. This is moving towards a system which embraces the totality of our national maritime interests.

One of the projects we were running has not reached fruition through lack of funding. When you run an organisation like ours, it is very difficult to get the top end of town to say, 'You're on a winner here.' All you ask for is $30,000 to produce something to put into schools and get people to focus on: that is, what it means to be living in Australia as a maritime nation. I will just hand this poster out, which is about quarter-size. The real one is a proper wall poster. The objective of that particular poster is to encapsulate the totality of Australia's maritime interests—the wealth creating industries, the environmental problems, the trade problems and the industries—and to get that into schools so that we can get the children to understand the maritime dimensions of Australia's interests and get them to think—career wise—outside this very dry land that we inhabit. That was drawn up about 1996 or 1997 but it could be easily updated.

I draw your attention to the right-hand corner which is of interest. Australia has responsibility, under the international agreement on safety of life at sea, for providing rescue services in that

area. That is one-tenth of the world's sea surface. We have signed up for that and if there is an EPIRB in any one of those areas it is our responsibility to do something about it. There is a similar one in the bottom right-hand corner. That is about one-ninth of the sea surface, an area for which we have responsibility for providing charts and hydrography. It goes through New Guinea and through very tightly charted waters. It is important as far as the Navy is concerned, because, if submarines are operating notionally to a depth of 600 feet, you have to have charts that can guarantee its safety when operating at its maximum depth. Hydrography is of vital importance in getting tankers and such things through closely charted waters in safety, and we have a lot of very sensitive waters in Australia.

The top left-hand corner depicts areas of maritime jurisdiction. That shows you the vast ocean areas we have responsibility for under the International Law of the Sea Convention. The bottom left-hand side depicts the continental shelf and the continental rise which relates to the one at the top. We have also tried to demonstrate the value of wealth creating industries—offshore oil and gas, fisheries, aquaculture, shipbuilding and so on. At the moment, it is $30 billion a year, estimated to rise to $50 billion within the decade.

We also have major environmental problems and we need to protect the unique maritime environment. Of the 50 seagrasses of the world, 38 are found in Australian waters. There is an enormous number unique to the Australian maritime environment. The column is not static; it is a moving column. The question of understanding our marine environment is a very important one. We also show the endangered species. That poster is drawn up for school children to try to motivate them towards a maritime outlook.

Anyway it is still on the backburner and we hope to be able to do it. I am not trying to talk down to you, but I think it is quite an important thing to try to encapsulate what we mean by Australia as a maritime nation. We believe that Australia's maritime strategy must address the totality of our maritime interests, which embraces not only our offshore areas but also the wider oceanic interests. We are located at the confluence of three great ocean systems: the Pacific, the South Pacific and Indian Oceans, which control our climate. We use them for trade and to connect with other countries as well. We see the maritime strategy as a component of economic, industrial, defence and environmental policies. This was recognised as long ago as the 17th century by the Dutch, who had this wonderful trading empire which stretched from New Amsterdam to the East Indies.

In terms of national security, the maritime element is seen as of increasing importance. This is because the defence paradigm has shifted significantly since 1989. However, in the 14-year period since 1989, we find ourselves—this is enunciated in the latest white paper—still locked into a century-old notion of the defence of Australia based on the counter-invasion concept of operations. This paradigm shift recognises that the strategic environment is now one of considerable turbulence. To quote the Hart-Rudman Commission which is applicable for Western nations, including Australia, 'The great danger is no longer the threat of military invasion, but assaults on the complexity of our society.'

That is the nub of what we are trying to do. The real challenge facing Australia is how to create, in a positive way, a benign strategic environment. Our paper suggests a number of ways in which Australia's expertise across our capacity in the maritime field can be marshalled as an element of achieving this desirable outcome. One of our recommendations, therefore, is for the government to initiate action to study and synthesise the implications of this paradigm shift on

our national security outlook. I believe that, until that is done, it is difficult to develop a new defence white paper and what flows from it in terms of capability and force structure. It is a significant shift.

Our paper goes into some detail on our dependence on shipping and the importance of shipping in sustaining our economy. In the post-1989 world, the potential threat to international shipping needs to be addressed. One of our recommendations, therefore, is to recognise the need for Australia to take a lead in developing collaborative protection measures with our major trading partners. We have already seen one tanker, the *Limburg*, attacked by terrorists. I put it to you that if a 4,000-tonne supertanker was attacked in the Malacca Strait it would cause a huge economic impact on our major trading nations, South Korea, Japan and China. This is the sort of thought process which really needs to be addressed, because we are so dependent on international trade for our economy. Not only are we a trading nation ourselves—and it is shown on the map there where our major export and import trade is—but we are dependent on countries like South Korea and Japan, vital economies, buying our raw materials and product. I believe that shipping is taking on an international dimension which we need to address.

We have also looked at the decline in Australian shipping—and the impact that this has on our balance of payments—and on our lack of strategic sea lift in terms of military capability. We recommend, as a priority government initiative, the establishment of a task force of stakeholders to determine how Australia can get back into the shipping business. We note also that a strategic study of road and rail transport has recently been initiated by the government, but shipping has basically been ignored. We ignore shipping—Australian flag shipping or Australian owned shipping—to our peril.

We go into some detail as to how Australia can connect with the Indian and Pacific Ocean nations across the whole range of maritime affairs. To give effect to the many opportunities for regional engagement, we recommend that the government establish a reviewal task force to study how second-level diplomacy across the maritime spectrum can be advanced and projected into our region. It is a wonderful vehicle for engaging with nations in our region and it is a non-threatening and very creative field. We have listed a number of things in our submission, from fisheries to offshore protection, which we can do. One of the advantages is that a lot of these take place offshore in international waters.

In the area of defence, as I say, this centre is not a think tank as such, but we have stressed a number of longstanding and abiding principles of national sea power which have stood the test of time—and which were very well enunciated by Dr John Reeve—and are relevant to Australia's strategic circumstances. They are the need for deterrence, which can and should be sea based, the capacity for naval forces to manoeuvre, the ability of forces to operate in international waters, so that there are no diplomatic difficulties involved, and the use of naval and maritime forces as a vehicle for regional engagement.

In the area of shipbuilding, we note that significant achievements have been realised in both the naval and civilian fields. However, we would recommend the establishment of a task force to determine opportunities for selling Australian products to the wider region, particularly in the field of naval and offshore engineering capabilities. We do not press the fact that Australia is in a unique position because it is a sophisticated regional power, but it is not an ex-colonial power, a superpower or a nuclear power, and I believe that gives us entree to a lot of these countries

that makes our bona fides much more genuine. That is all I have to say at this stage of the game. Thank you for your attention. I hope you enjoyed the chart.

CHAIR—Is it the wish of the committee that the document entitled *Maritime Australia* be taken as evidence and included in the committee's records as an exhibit? There being no objection, it is so ordered.

Senator JOHNSTON—Commodore Adams, you raise a very interesting point on page 7 of your submission, in talking about the economic exclusion zones. You are one of the few submitters that has really addressed that issue and on your map you highlight Heard and Macquarie islands' economic exclusions zones. They are not just economic, of course, they are environmental. In your final summaries, at summary point No. 8, you deal with the issues and call for increased attention. With respect to those two economic exclusion zones, is it feasible or, in today's climate, appropriate, that we use naval vessels down there to look after ostensibly civil and commercial interests?

Mr Adams—That is a very expensive way to do it.

Senator JOHNSTON—What is the alternative?

Mr Adams—The alternative would be a purpose built but air capable vessel, strengthened for work, but it would be a significant ship with range, speed and endurance. The problem with sending naval ships to Macquarie is that they do not have the endurance. You really have to send a tanker after them so that they can be refuelled. You really need it to be purpose built, perhaps like the *Aurora*. I do not know that too well, but one that has that capability.

Senator JOHNSTON—Do you want to arm it?

Mr Adams—You would have to. You would have to put a notional arm—when I say 'notional arm' it would have to be a simple arm, just to stop a ship where it went. The major problem one has in the Antarctic is the question of surveillance and finding out where all these people are. It is one of the difficulties. It is an area where one needs a lot of international cooperation. Australia is a signatory to the convention on the living resources of the Antarctic and that would be a vehicle where one could get international agreement and, hopefully, commitment of resources in order to secure the Antarctic environment.

A lot of the nations that have an interest in the Antarctic are not particularly wealthy. I really doubt that Chile, Argentina and South Africa have the resources to do it. But that is a major challenge for Australia. It is not one that really affects the security of this nation, but it is one that has to be addressed in a realistic way.

CHAIR—On page 12 of your submission you commented:

> Air power must therefore be integrated into maritime force structures in order to ensure that Australia can exercise proper and effective control of its ocean environs.

Would you like to comment on whether you consider the current air power is adequate for Australia's needs.

Mr Adams—In a short word, no. The matter of concern is the fact that we have acquired these amphibious ships which take 800 military people on board who are available. I do not like the words 'power projection', but it would be much better in our region to look at the question of intervention. If you are going to send 900 soldiers offshore you really have to provide for their air protection 24 hours a day and the only way that you can really do that is by having air defence capable vessels. That is where the destroyer fits into things. I believe that there is an enormous shortcoming in the concept of intervention if you cannot provide that, because it would just be too horrific to comprehend that a simple aircraft could take out and seriously damage one of those ships with all those people on it.

It is terribly important for that area to be addressed, particularly if you were going to move these people offshore. The question of providing air power from fixed bases has never worked in the past and it has never worked in the UK and I doubt whether it will, because the range is so short. Whether they are operating out of Tindal, Darwin or Cherbourg the concept of providing air power at sea in that way has to be organic.

CHAIR—How would you see that air power being provided, if it is not from fixed bases?

Mr Adams—With the SM2, SM3 missile. One of the beauties of the Timor system was the fact that we had an Aegis cruiser there. Having commanded one of these ships with virtually an Aegis capability, you feel confident you can control the airspace in that area, which is really what you have to do and that is what the Aegis cruiser is able to do. You have to have that capability. Whether you go further on to the carrier is another question. I would not shy away from that, because when you analyse what an aircraft carrier can do, in terms of air warfare, surface warfare, amphibious support, it is the most cost-effective platform you can invest in.

Senator SANDY MACDONALD—There have been a number of people who have appeared before the committee and put in submissions and said that for a credible maritime strategy or, in fact, a credible defence capacity, we need to substantially increase our percentage of GDP that goes to defence. Do you have a view on that? Do you believe that we need to spend more on defence, or that we get a big enough bang for our buck now?

Mr Adams—Historically, if you look at how the budget has developed over the past 10 years, you will see that the amount spent on the health, education and social services has blossomed. Defence, on the other hand, has been starved of funds, by comparison, over the last 10 years. My view would be that this ought to be brought back into line.

The other thing is that Defence have been their own worst enemy in the way they present their budget. The feeling outside, by the people, is that if you spend a dollar on defence it is a very bad thing. On the other hand, one of the little boxes that is included in our paper—and I draw your attention to it on page 14—shows that the Anzac frigate program will grow the national economy by $3 billion over the life of the program, create 8,000 jobs and reduce social security payments by $66 million annually, and that 60 companies are exporting to nations at the highest level of technology.

We train people in the Defence Force and they leave the Defence Force highly skilled, so that the defence dollar actually brings great benefit to the Australian community. But that is never explained by the Department of Defence, whereas the social security dollar is a transfer payment from your pocket to his and he goes and spends it in a poker machine. I am not saying

it is as simple as that, but the defence dollar is a creative dollar in terms of people and progress. Defence have been deficient, in my view, in explaining the beneficial aspects of the defence vote. Compared to the other expenditure in the last 10 or 12 years, as a percentage, it has fallen way behind the big spenders—social security, education and defence. Defence expenditure is not something that you shy away from.

Senator SANDY MACDONALD—That is interesting. Yesterday one of the people who gave evidence said that the UK has three times the population and it spends one per cent of its GDP greater than Australia and, of course, it has a much greater defence force as a result. It seemed to me that perhaps for historical reasons we had been doing it on the cheap. I am wondering whether, in order to have a credible maritime strategy, we need to spend more. I am still not convinced one way or the other because I think we do an exceptionally good job with what we have. I think if a greater amount is to be spent on defence, governments have to be persuaded of it, and they can only be persuaded of it by inquiries like this.

Mr Adams—I agree. I think that is why this inquiry is terribly important, because it will begin to focus on what we should be doing. The security problem is one thing, but I believe that the argument that can follow can be well developed to sustain an increase in defence spending without detriment to the Australian economy. The other thing about the UK is that they are the fourth biggest economy in the world. They are actually going gangbusters at the moment, as I understand, and of course they have a leadership role in NATO and all these other bits and pieces, which they need to do.

Senator SANDY MACDONALD—I was interested in your comments about the defence dollar being a dollar that creates jobs, because I suspect that if the Americans are spending $1 billion a day in their defence budget—ours is about $US7 billion a year; a week of the American spending—that for their economy to sustain that sort of commitment to defence dollar spending, it is substantially spent at home. It is an enormous number of jobs and the creation of considerable prosperity to the people who depend on those defence industries.

Mr Adams—The Americans have a huge industrial military base, which I think is terribly important electorally. I do not think the Americans have a particularly difficult problem in persuading their people on questions of defence expenditure.

CHAIR—I thank you, Mr Adams, for your attendance here today. If you have been asked to provide any additional material, would you please forward that to the secretary. You will be sent a copy of today's transcript of your evidence, to which you can make corrections of grammar and fact. Thank you for your evidence and also for your submission.

Mr Adams—Thank you.

[11.15 a.m.]

EVANS, Air Marshal Selwyn David (Rtd) (Private capacity)

CHAIR—I welcome Air Marshal Evans.

Air Marshal Evans—I had a letter from the secretariat of this committee, saying that you, Chairman, had invited me to make a submission, which I thought about for some time. When I noticed discussion on the future role of the Australian Defence Force and the suggestions that things had changed—that we are more involved in overseas small commitments than the defence of Australia—that decided me that it would be a good idea to accept your invitation.

CHAIR—Thank you, David. Although the subcommittee does not require you to give evidence on oath, I advise you that these hearings are legal proceedings of the parliament and, therefore, have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you. Do you wish to present any additional submissions or make an opening statement to the committee? I have been requested by some of the members of the committee to ask those who are making presentations if they would like to give one or two minutes of an outline of their own background. That would help members of the committee understand your background, although it is well known to me and probably to others. Would you mind, Air Marshal Evans, giving us a very brief summary of your background before you make a verbal submission.

Air Marshal Evans—I suppose by doing that I have to expose my antiquity. I joined the Royal Australian Air Force in 1943, for the simple reason that there was a war on. I found that I liked being in the Air Force and I stayed there until 1985. I spent many years in flying appointments as a pilot, with aeroplanes ranging from Tiger Moths to F111s, and retired as Chief of the Air Staff in 1985.

CHAIR—Thank you, Air Marshal Evans. Would you like to make an opening statement in support of your submission?

Air Marshal Evans—I would. It is as simple as I just said to you—that I was invited to do so. I notice the discussion on the structure of the Australian Defence Force still continues and, in fact, this morning I heard that the minister had made a further statement on the future structure of the ADF. I heard it on two radio stations and I ended up confused. I am not quite sure what he said. On one hand he seemed to be saying that, yes, the matters we are involved in are different and the threat to Australia has diminished in the last two years and, therefore, there is room for change. The next time I heard it, he was saying that nothing had changed, that the defence of Australia was still the primary role of the Australian Defence Force. That being so, one would think, as I have said in my submission, that the structure of it should remain based on the defence of Australia. I have also taken the opportunity—you will have noticed if you have read my submission—to make some comments on other things, such as the command and control structure of the Australian Defence Force.

CHAIR—On page 2 of your submission you comment:

Operations to assist our immediate neighbours in resisting armed aggression would not be dissimilar in nature, but reduced in scope, to those required for the defence of Australia.

Are you confident that the Australian Defence Force structure, which is built primarily to defend Australia, is able to effectively undertake a range of operations in our immediate region?

Air Marshal Evans—Yes, I am. If you notice, I make some distinction between the things that we are involved in that we do not have to be—and you could even say anything that happens in Iraq or happened in Afghanistan we do not have to be involved in, but as good global citizens it is good that Australia plays its part. Regional defence is a little more important because it could be, if not directly, certainly very closely associated with the defence of Australia, so that we would want to contribute, and we would want to contribute something that was meaningful. By that statement I mean that, in looking at the structure of the defence of Australia, government has accepted that the force structure should be based on naval and air units to protect the sea-air gap, to be able to take offensive action against an enemy whom we assume would be in the archipelago to our north—which is not necessarily saying it is Indonesia, but remember Indonesia was conquered once before, so it could be anyone there and it does not matter to our study where the threat could come from.

So the countries to our north—and, again, look to Indonesia and others—are not short of manpower. We are desperately short of manpower. The structure we have for the defence of Australia in making it naval and air is very sensible because we do not have huge manpower resources to fight large land battles and the area to be covered is huge. That has been accepted as the structure for the defence of Australia.

Those countries in our region have more manpower than we have and it is adequate to provide their defence, but they lack the more sophisticated weapon systems such as air-naval units, submarines, strike aircraft, fighter aircraft and airborne early warning. All these things are lacking there and also special forces and communications that Army could provide. Making a contribution and a serious contribution to their defence we would best be using that type of asset we have. We get them for the defence of Australia and they are perfectly suited to our participation in defence of the region.

Senator HUTCHINS—Air Marshal Evans, I do not know if you are aware that Dr Alan Ryan commented that the maritime strategy as discussed in the white paper 'is not in fact a maritime strategy but a continental defence posture founded on a one-dimensional threat.' Would you like to comment on that? Do you accept his appraisal?

Air Marshal Evans—That it is a one-dimensional threat?

Senator HUTCHINS—Yes.

Air Marshal Evans—He is basing it on semantics. It is the defence of Australia. It happens that the best place to fight it is before people land on Australia; it is to prevent a serious lodgment on Australian soil. The best way of doing that is to stop people from getting here and to use the sea-air gap. To use the sea-air gap the forces most suitable are naval and air. Fighting at sea makes it a maritime strategy but no less a defence of Australia. I do not understand his statement really. One-dimensional? It would be fought in certainly two dimensions if you are looking at land and air, but I think he is playing with words.

Senator JOHNSTON—There are your very interesting comments—almost a postscript to your submission—relating to the rationalisation of Australian industry. You look at the fact that the specialist development of Australian industry has been inhibited by the bidding process and a paper war is undertaken every time a tender is called. Your solution is that we should nominate prime contractors for discrete areas and build them up to levels of high expertise and excellence designated in particular areas.

I have a lot of sympathy for that view, but isn't the problem with that, in terms of developing an onshore capability to support a maritime strategy—which is where I think you are coming from—that these companies are privately owned and can be foreign owned? With every dollar of value that we build up in them by having them specialised, they simply get picked off by the Americans, the French, the Germans, the Scottish or whoever. Is that not the problem?

Air Marshal Evans—I do not know that it is a problem. It is a situation we have which we have to meet. The point is that we say they are foreign owned—and they are, of course—but the weapon systems are developed overseas. You realise it would be impossible for Australia, for instance, to develop a state-of-the-art strike aircraft—or a submarine. We tried with a submarine and went a good way towards it, but it is still causing us trouble. Even then the technology used and the systems aboard are foreign developed and belong to companies that are foreign owned.

I do not think there is anything we can do about that, except perhaps partnering these with work in Australia and we at least employ Australian people. The work we get should not just be metal bashing and putting bits together, as we did with the FA18 for instance, where we paid a premium of some hundreds of millions of dollars and all we did was put a meccano aeroplane together. We have to be smarter in future and insist on getting the highly technical work that we are able to do here. We are learning and our skills are improving so we should be able to do that.

What I have trouble with is that when we get weapon systems from overseas we are not given the source codes so we cannot repair them here and have to send them back overseas. That is the worst thing we suffer. Surely there are countries that would offer to give us those source codes and that should be part of our negotiations. It is the best we can do, Senator. We cannot keep all the money in Australia. We cannot develop the things here, but we can look after the through-life support. To look after the through-life support we must be given access to far more of their technology than we get at present. It is very important that we get that.

Provided we can support them here and look after battle damage and repair, we are well on the way to be further advanced than we are now. For instance, when the weapons improvement program of the frigates was being done several companies were bidding for this. A company I was then associated with had spent several million dollars on preparing a bid and it was going to cost, had it gone the full course, about $15 billion to bid. Other companies were bidding but one company gets it. You cannot afford to lose too many of those companies at all.

It has happened on several occasions. It happened in the DIDS—Defence integrated distribution scheme—and so it goes on. The only way of making it easy is to pick a company—and it doesn't matter who because the government pays for it all in the end—and say, 'You look after this particular part of avionics for aeroplanes and negotiate with companies overseas to be doing the work here,' and 'You do something else.' At least you have not got the bidding war. We still then should institute a process, as the Americans have, of being able to go into factories and companies and look at their overheads, determine what is a fair profit and work with them,

so that we do not get ripped off. Most companies are prepared to do this, given the opportunity. That is rather a long, rambling answer, isn't it?

Mr SOMLYAY—In terms of the changing circumstances we have now and the war on terrorism and the lesser likelihood of nation to nation conflict, we are looking at maritime strategy and defence strategy in terms of this new era—piracy and terrorist cells in nearby countries. How do we have to adapt the traditional defence expenditure to the new environment?

Air Marshal Evans—The war on terrorism is something extra. It is an extra dimension that we are now facing. It has always been there but it has raised its head now as being a far greater threat than it was three years ago. It does not mean we do not have to provide for the defence of Australia in the conventional way. But, as I say, it is an extra. It is interesting, when you look at the war on terrorism, how it affects the whole nation. I know war does also, but this is peacetime and it affects the whole nation—Attorney-General's, ASIO, ASIS, the Federal Police. The transport department's problem is immense because they are looking after aircraft, ports, rail, road transport—all these things. The big burden of war on terrorism firstly is that security here falls on other departments.

The Defence Force is not going to do things much differently, apart from joining the security brigade and being able to react more quickly to terrorist threats Australia-wide. I think they are getting another commando or tactical assault group and more helicopters for that reason, which is sensible, but it does not go that far beyond it for the Defence Force. Other parts of the nation it affects greatly, and more money is going to be spent on that than the increase in Defence. For instance, I believe Defence have formed a special operations command. Although it has just been formed, the units comprise about 1,300 people. It has been built up to 2,000, which is not a hell of an increase in Defence participation. The terrorism thing falls everywhere. The waging of war against terrorists is something new for us, because even our intelligence organisations—ASIS in particular—are targeted at nation states, but terrorists are not nation states. They are groups all over the place, perhaps supported on occasions by nation states. It is a different ball game we are in, I am afraid.

Your question to me was concerned with the Defence Force. I do not think it alters, apart from that increase in tactical assault groups and certainly more border protection will go on and on. It makes not a great deal of difference.

CHAIR—Going back to the question of defence industries, do you think it is important that, when considering new acquisitions and technologies—and similar technologies are often available from many companies—Defence should consider our strategic and allied interests? In other words, before a decision is taken as to who may tender for a particular project, that we would have preferred companies that are aligned more with our strategic and allied interests?

Air Marshal Evans—It is a very interesting subject, and we would be less than honest if we said there did not seem to be a trend anyhow in selection to go the American way. I do not like it necessarily, because it can lead us to taking something that might not be the best available. I am not going to mention particular examples, although I have a couple in mind. The other thing is that we get taken advantage of. We have committed ourselves to an aeroplane that is going to cost us an enormous amount of money. We do not know, but we have committed to it.

The companies we are dealing with are not nice guys and they say, 'Aussies are great guys and always support us.' It does not mean they do not make a lot of money and as much as they possibly can out of us. I think there are dangers in doing that, and it is not always the best for us. We get bullied at times, 'If you do not stay with our technology, you will be left behind.' I admit that American technology generally is light years ahead of other countries, but they are not always the best. There are niche areas in other countries that are good, and the big disadvantage of going with the Americans is that we never get the source codes. We get them from the Israelis and we get them from the Brits. We would never get them from the Americans. We should use a bit of muscle sometimes and say, 'Listen, treat us fairly on these things or we'll go elsewhere,' and we should go elsewhere occasionally. We made a token gesture by buying a helicopter that is not from America, but really they see us as being pretty well committed to them, and I think we are. I think that is the government's line, and I think we have gone too far along that road.

CHAIR—Getting back to the cost of industries having to prepare tenders and expressions of interest, obviously that is a cost for those companies and it limits perhaps the participation of some companies or even a willingness to tender if they think they are outside of the area of interest from the defence department or the government.

Air Marshal Evans—Indeed, that is quite true. I have noticed companies saying, 'What's the use of bidding in Australia?' A company that I have been associated with in the past has taken that view, and structured their strategy for doing defence work in Australia, and are certainly not trying to sell equipment, because it seems to be a hopeless task. That is bad for Australia.

CHAIR—What is the solution?

Air Marshal Evans—To look at every case on its merits. If you get a better product that more suits us—provided it can operate with the American forces. That is essential, but then look at NATO—surely NATO are producing things. They have to operate with the Americans. They are using a lot of European equipment, but they can operate together. They are interoperable, and that is pretty well standard for the NATO nations. We would be dealing with one of those nations, and it would be foolish to say that it was not interoperable with the American forces. Admittedly, the Americans make it very difficult for us. I recall a British air-to-air missile being selected for the F18. Integrating that with the F18 has been made 10 times more difficult than it need be; almost as a lesson to us of, 'Don't do that again.'

CHAIR—Some groups have proposed that Defence spending to support a credible maritime strategy should be at least 2.5 per cent of GDP. Would you like to comment on that? What immediate changes to Defence expenditure should be made, and what should be the long-term funding levels for Defence?

Air Marshal Evans—Chairman, I am not qualified to comment on that. Obviously, the things that the Defence Force have been asked to do over the last two years are an enormous increase in its day-to-day operations, with great fears it will affect the re-equipment program for destroyers, air defence ships, AEW aircraft, replacements for F18s. That is the worry, but I would not know the percentage, except to say that I saw Paul Dibb's estimate in this morning's paper. It is along those lines, but I am not qualified to say whether it should be 2.5 per cent. Having been for years looking at the yearly sums, what if you get three per cent and then what if you get two per cent or one-half of a per cent? It is an enormous amount of work. As long as

they say something and stick to it, that would be helpful. I am sorry I cannot be more helpful on that.

CHAIR—Air Marshal Evans, thank you very much for your attendance today and also your submission. If you have been asked to provide any additional material, would you please forward that to the secretary. You will be sent a copy of the transcript of your evidence, to which you can make corrections of grammar and also of fact.

[11.42 a.m.]

CORDNER, Mr Lee George, Managing Director, Future Directions International Pty Ltd

CHAIR—I now welcome Mr Cordner from the Centre for International Strategic Analysis to today's hearing.

Mr Cordner—We recently changed our name to Future Directions International from the Centre for International Strategic Analysis. We are still the same organisation. FDI is an independent, apolitical, not-for-profit, strategic think tank with our headquarters in Perth. We look at significant issues that affect Australia nationally and internationally.

CHAIR—Thank you. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings in the respective houses. We have received a written submission to this inquiry from you. Do you wish to present any additional submissions or make an opening statement to the committee?

Mr Cordner—I would appreciate the opportunity to make a brief opening statement.

CHAIR—Yes, proceed.

Mr Cordner—Thank you. *Defence 2000: Our future Defence Force* states that we need a maritime strategy, which I believe is sound advice, but that is not what we have. What we have in effect is a continental strategy, which is more about defending the moat than comprehensively utilising our strategic geography to our advantage. The denial strategy mooted originally by Dibb was, in my view, fundamentally flawed and was more akin to a former Soviet Union or People's Republic of China continental strategic approach than that of the United States or Great Britain, who have historically and currently adopted a genuine maritime strategy. The essential sea control and power projection for expeditionary capability aspects of a comprehensive maritime strategy is sadly lacking.

In our view our military strategy should take account of numerous factors, including our strategic geography. We have the advantage of strategic depth and we are girt by sea. Our widespread national interest: we are a global player and a developed Western medium power and our interests are affected by geography to an extent but they are not bound by it; our aspirations and obligations now and into the future; our willingness to participate in the international community and provide support for the rule of international law; our willingness, for example, to deal with weapons of mass destruction, terrorism and to assist our regional neighbours.

A whole of nation, whole of government approach to national security is required and our military strategy must be tailored to complement other aspects of national strategy, including a national security strategy and our alliance relationships with the United States and others in the region. The changing nature of conflict and the need for flexibility and versatility are also important. Finally, there is our capacity for participating in a wide variety of military operations, ranging from conventional conflict, including as part of the coalition, asymmetric conflict—that

is, dealing with terrorism—and peacetime operations in support of the national interest—for example, border protection.

Many of the characteristics of a traditional maritime strategy have considerable relevance in our strategic circumstances. These are outlined in my paper and include the need for mobility and mass, readiness—that is, preparedness of our forces—access, flexibility and adaptability, reach, poise and persistence and the ability to manoeuvre. So, in my view, Australia needs a comprehensive military strategy that is tailored to our unique circumstances. It should have a significant but not solely maritime flavour.

Our defence capability should be consistent with the strategy and should encompass the following characteristics: we must have real combat power; we need flexibility, versatility and adaptability. We do not know exactly what is going to happen over the next decade and beyond. We need to be able to project decisive combat capability over vast distances and therefore we need considerable reach and sustainability. We need to be able to perform against asymmetric foes. Our forces must be capable of being carefully integrated with national security agencies in a whole of nation, whole of government approach. They must be able to act independently or as part of an international coalition. Therefore, they need to be interoperable—particularly with the United States forces—and must therefore be technologically advanced. They must be ready and, finally, they must have excellent people with strong leadership, superb training and high morale.

The defence capability plan, Australian Defence Force, is intended to be small and professional with some good capabilities. However, I would suggest it has some significant gaps. The bottom line really is that there must be an effective strategy policy match or we are really wasting our time. Government would prefer a wide range of military and other options at its disposal in the current strategic circumstances. However, our options are somewhat limited.

Fortunately, our application of military options has largely been discretionary. However, this will not always be the case. We have effectively been able to significantly constrain our defence spending over the years through our reliance upon the United States through the ANZUS alliance. However, this also brings obligations and responsibilities and means a surrendering of sovereignty to an extent.

Funding is a significant aspect of policy and Defence has been underfunded for at least a decade, in my view. The result is an ADF which has severe capability limitations and a profoundly negative impact on ADF people. The Defence spending tap cannot be easily turned on and off. Long-term commitment is essential given the long lead times for a professional, capable force with modern systems and excellent people. While it is useful for this committee to examine Australia's military strategy, this must be considered in conjunction with broader strategic circumstances and our national interests, obligations and aspirations. Government defence policy, particularly funding, must match the strategy or we delude ourselves and our real national security is in jeopardy, which I believe to be the case at present.

CHAIR—Thank you, Mr Cordner. I will open the hearing to questions from our panel.

Senator JOHNSTON—Firstly, your submission is a very good one and very comprehensive. Just tell us a bit more. What is the name of the company you represent?

Mr Cordner—Our company is called Future Directions International Pty Ltd. We were formerly known as the Centre for International Strategic Analysis Pty Ltd. We changed our name in November last year. When I made this submission originally we were CISA and we have now become FDI.

Senator JOHNSTON—Just tell me a little bit about that organisation. Where does it come from? Who are its members? Where is it funded from? Can you give us a bit of background as to your interest in this area and your genesis.

Mr Cordner—The company was initiated in May 2000 with support from the federal government. We have two seconded staff on our books, one from the Department of Foreign Affairs and Trade and another from the Department of Defence, who are fully funded by the feds. We were also given financial support in the form of seed money from the WA state government—under the Court government initially and that has continued recently under the Gallop government. We also sought and received philanthropic support from various organisations around the country. In addition to research—which is our fundamental reason for existence—we do some consultancy work for major corporations and also for federal and state government agencies.

We consist of a small core staff with six people in Perth. We have an office in Canberra and a large national and international network of people we call associates. Those individuals are subject matter experts covering a broad variety of fields; they are leaders in their various fields. About two-thirds of them are based in Australia and the other third around the world. We have connections with like organisations in Washington, London and in some of the major regional capitals.

Our fundamental charter is to assist with improving the quality of high-level decision making at government level, both federal and state, and also at major corporation level, by looking at the complex issues of the day in an integrated way. In other words, we would look at issues like population, national security, water and other environmental issues from a range of perspectives—from an economic perspective, a security perspective, an environment perspective and so on—to try to distil out for decision makers the key issues and the key policy options that they have. That is basically what we are about and who we are.

Senator JOHNSTON—Could you further indulge me by telling me a bit about yourself?

Mr Cordner—I am a former naval officer. I retired from the Defence Force in July 2001, with the rank of commodore. At that stage, I was the Director-General, Navy Strategic Policy and Futures. In relation to my naval background, in addition to having a lot of fun driving warships, including commanding HMAS *Sydney* during the Gulf War and later HMAS *Adelaide* for a couple of years, I spent about two decades working in strategic analysis—strategic thinking—in a succession of positions, mainly in Canberra in the strategic headquarters in that sort of area. I chose to leave in mid-2001 and have been with what is now FDI since then. I was originally the acting CEO and am now the managing director of FDI.

Senator JOHNSTON—Thanks very much. In your submission, under the heading 'Australia's defence capabilities', you talk about the need to lay a conceptual framework for increased flexibility, versatility and adaptability. The inference that flows from that is that we

are not any of those three things at the moment. What indicia do you look for when you determine, in the current climate, that we are flexible, versatile and adaptable?

Mr Cordner—What I am alluding to there is that the environment in which we operate is inevitably uncertain and the precise nature of how a government may call upon the Defence Force to apply military force will always be unclear. Therefore, when we are not structuring our force against a very precise threat, we need to ensure that we engage a range of capabilities and generally multirole, broader capabilities that give us that flexibility, adaptability and versatility—that is, that can be readily shaped in force-effect packages to deal with a whole range of things, from civil disaster assistance to asymmetric threats like terrorism to potentially high-end war fighting, probably as part of a coalition, perhaps in North-East Asia or South-East Asia.

What I am suggesting is that, given our strategic geography and given the strategic outlook that the world faces and that we face in our part of the world, we need to have forces that give a great deal of range and sustainability but also flexibility. Of course, at the end of the day, this is all an insurance policy. I guess the other message is that things cannot be changed quickly, so we have to have forces that are likely to be durable—that is, can be readily re-roled to deal with what might arise over time.

Senator HUTCHINS—In your outline you seemed critical of the approach of 'defending the moat' and you went through a number of what I understood you saw as difficulties we may have in the future. On page 7 of your submission, you stated:

Australia lacks the real sea control and power projection capabilities required for a genuine maritime strategy.

Would you like to expand on this point and also comment on what key capabilities the ADF lacks?

Mr Cordner—What I was alluding to in my opening remarks and generally in the paper is that, since the Dibb review of 1986, there has been a consistent thread throughout white papers and defence policy that has generally favoured what is broadly called a denial strategy. This is a very defensive strategy, which seeks to enable us to control our sea approaches. I think most of us would agree that the likelihood of a direct invasion against Australia is very low, but it is generally pitched around that idea of defending the moat and defending continental Australia.

What I am suggesting is that that is only one part of a maritime strategy. My view is that, given the archipelagic nature of our region, given the importance of our trade flows through the region to North-East Asia—and also from the Middle East through to Asia—and the general importance of that to Australia's security and wellbeing, and given the overall projections for the region, we need a capacity to be more proactive. We need a capacity to be able to assert control, perhaps in some straits in our region, for example, if the shipping flows were threatened or perhaps to assist a regional neighbour in some sort of crisis. We also need a capacity in our own right to seriously project power.

I am not suggesting that we have to be looking after the sort of thing that the United States has. What I am alluding to is that at the moment we have a small number of F111s that have some capacity to project force, we have submarines and we have some special forces, but the rest of our force is really very defensive in nature, in line with that 'defence of the moat'

concept. We need some selective capabilities that enable us to project our forces further afield. These include what are broadly known as expeditionary type capabilities—that is, a combination of appropriately structured land, air and naval forces that can offer offshore, long distance, away from Australia support of our interests—either within the region or beyond, if necessary.

I know it has been talked about and has been looked at a number of times, but I believe Australia should have some sort of cruise missile capability, for example, perhaps to replace the F111s in due course. There are also other niche capabilities that we are lacking, including the ability to operate in southern waters and Antarctic waters, which really is a separate issue. It is more to do with a sovereignty control and border control issue.

Mr PRICE—Pardon my ignorance in asking, but what does second level diplomacy mean?

Mr Cordner—I am not sure that I mentioned second level diplomacy in my paper specifically.

Mr PRICE—You did actually.

Mr Cordner—I don't think so.

Mr PRICE—The wrong paper!

Mr Cordner—I can give you an answer.

CHAIR—You can get an answer if you want one!

Mr PRICE—On page 6 of your submission, there is second level diplomacy, I thought.

Mr Cordner—No, they are not words that I would normally use.

Mr PRICE—You have me confused now, I apologise.

CHAIR—While you are sorting it out, I have a question. Building on the last question from Senator Hutchins, are there some key capabilities that the ADF lack to be able to assert sea control, as opposed to denial, in our region, as part of the maritime strategy? I think you touched on some of them in your answer but you might like to expand on that.

Mr Cordner—One of the fundamental capabilities is potentially inherent in the proposed air warfare destroyer, which of course is in the defence capability plan, but which we know we will not have in service until around 2012, when we are likely to have the first of those ships potentially in service—providing the DCP does not slip, and I think most indications at present are that there are likely to be some slippages before then.

We also need to be able to exert the appropriate air power over those distances. At present our air power is clearly land based and therefore limited by range and endurance, and that is an issue for us. If we are going to be able to assert a level of control, let us say somewhere in the archipelago in the future, if that is required—perhaps independently or as part of a coalition;

more likely the latter, I would suggest—we need to have naval and air forces that can exert genuine dominance over an area for a period of time to enable, for example, land forces to be inserted or to enable shipping flows to move unimpeded for a variety of reasons. Whilst our Navy is professional, at this stage it is very small and genuinely lacking in capability. Indeed, it worries me greatly—as an aside—that we are still putting our ships into the gulf with such limited defences against antiship missile attack, a capability which all of the gulf regional states have. It worried me greatly when I was there as the captain of the *Sydney*, and it worries me greatly still.

Senator FERGUSON—I am very interested in your submission on page 10 where you talk about a wish list of a steady commitment of 2.5 per cent of the GDP, which was mentioned with the previous witness in questioning. Naturally, everybody would like to have as much money as possible to do all of the things that they want to do in a strategy, but the defence department was the only department that was quarantined when there were expenditure cuts previously. The environmental department might say that if you do not spend more money on the River Murray you will not have a continent to defend.

Surely it is the role of a military strategy to work within the existing budget rather than say, 'This is what we would like to do if only we had more funding.' What immediate changes do you think can be made to Defence expenditure or what should be made to Defence expenditure? You have already said what you think the long-term levels should be, but if you have got to work within an existing budget, what immediate changes do you think should be made?

Mr Cordner—I will answer the first point that you make. I do not think military strategy, the strategy for our national security, can be solely driven by a particular budget figure. Certainly it has to be a carefully balanced decision. I take your point that expenditure on defence has to balanced in conjunction with expenditure on all the other things we need to do as a nation. That is certainly true. However, I would argue that one of the fundamental tenets for any federal government or any federal parliament is the security of the nation, and without the security of the nation we really have nothing at all. We could talk about environment and all those others things but if we cannot fundamentally look after our defence we really cease to be an effective nation state.

As for the balance, what I am arguing is that the military strategy and the defence policy, which includes funding, need to be in very close concert and, in developing the appropriate level of funding, account needs to be taken of the strategic circumstances and the appropriate national security and military strategies to deal with those circumstances.

Over the years we have had a number of reviews and a number of white papers that have sought to do that. If you go back to the 1987 white paper, it said we needed to spend between 2.6 and three per cent of GDP at that stage, on its understanding of the strategic environment and of our military strategy. What has actually happened over time is that that mooted 2.6 to three per cent has progressively dwindled, through 1990 when it was down to about two per cent, and it has been below two per cent ever since. I do not think there is anything magic about a particular percentage. However, I think it is indicative of the degree of priority and emphasis that a nation and its parliament puts on defence at a particular time in our history.

What I am suggesting is that at this time it is very obvious that we have a small, highly professional and in some ways capable Defence Force, but that is undercapable in many ways

and is desperately needing serious funding. Defence is not a short-term proposition. To get the appropriate systems and the right people in place requires at least a decade and, I would argue, more like a 15- to 20-year outlook. It is not a matter of having one level of expenditure today and then tomorrow deciding on a higher level and hoping it will all be right. You are just not able to acquire the appropriate systems and people and operate them effectively and professionally in those sorts of time frames. So my view is that, at this stage, we have a strategy that is deficient, and the government is clearly indicating that it is not happy with it. It is seeking more of an expeditionary aspect to our strategy, in line with what I have argued in my paper. Also, in my view we have a funding base or a policy—and the funding is related directly to the policy—which is also inadequate. I think this is a dangerous mix.

In my mind 2.5 per cent is not a magic number per se—it is not intended to be a precise number. At the moment our spending is supposedly about 1.9 per cent of GDP, based on towards three per cent growth of GDP over the decade, to support the defence capability plan. That means that critical capabilities—like air warfare destroyers, certain air capabilities and certain land capabilities—that we needed yesterday and we certainly need today, are being pushed further and further out into the out years of the defence procurement budget. It also means that we have a Defence Force that is currently, in my view, inadequately logistically supported. There are many problems in that area.

We also have significant personnel problems and the solutions to that have been well developed over the years but not put into effect, fundamentally because there has not been the funding. Overall I think we are getting a much better Defence Force than we deserve as a nation for what we currently pay for it. What we need to do is to improve that funding and have a longer term commitment to that so that we can get the sort of structure and strategy policy match that we need to ensure our security for the future.

Senator FERGUSON—But you also say in your last paragraph that it is too late.

Mr Cordner—I guess I am being a little bit dramatic, but in some ways it is too late because we are now facing an international environment which says that we as a nation would like to have certain capabilities. As I said in my opening remarks, Australia's need to commit is, to an extent, discretionary at this stage. There may come a time where it is less discretionary, that is, where our direct national interests are threatened to the extent that we do not have the discretion. It is a bit late then to say, 'Oh, gosh, we should have been spending more on defence for the last decade.' What I am suggesting is that we do need to increase our defence spending and we need to improve our capabilities as quickly as we can. However, even if we significantly increase defence spending now, it is going to take some years before we have the right balanced force flowing from that.

Senator HUTCHINS—Regarding your comments at the end about defence spending, if we go back to prior to World War II, there is clear evidence that a number of nation states were building up their defence spending and they were being aggressive—Japan and Germany—so the signals were going up. Where are the signals here that you see that policymakers need to take note of that would lead them to increase defence spending?

Mr Cordner—The world is in a different strategic environment now than it was before World War I or World War II. It is not so much a particular power or powers to rapidly arm or rearm in this current climate that is the concern. Certainly Australia did not really realise a

'peace dividend' at the end of the Cold War because we were an active supporter of the United States and the Western alliance in that. Our own forces were always really structured for more our local issues, our local potential threats and problems.

Senator HUTCHINS—Where would you see them from your organisation? Where are these threats and problems that would lead whoever is in power to make a decision to increase defence spending?

Mr Cordner—They are to do with a whole range of issues. Firstly, there is a great deal of risk and uncertainty surrounding how the Islamist based terrorism might progress. Certainly the indications are that since 1995 the centre of support for that has shifted from the Middle East more into our region. We know all about Jemaah Islamiah and the impact that is having already on us, so there is that sort of concern. There is also the concern in our immediate region of states like Papua New Guinea unravelling completely and the need to be able to assist there. There are concerns with Indonesia and other regional states that could go through significant problems which will directly impact on our interests. There is also ongoing concern with weapons of mass destruction. We have North Korea sabre-rattling again, so there is a range of issues. What I am saying is there are not only those military threats but there are also the non-military unconventional things around—for example, the requirement to have better control over our own environment, over our vast maritime resources and that sort of thing. At this stage we have a Defence Force that I would suggest is not really able—as I said, it is small, it is professional, there are great people and there are some quite good capabilities—but it is just too small to give the government a range of options that it needs in those sorts of uncertainties.

Senator HUTCHINS—In answer to Senator Ferguson you said there were logistical problems and personnel problems. I do not know whether you are in a position to detail them now—you may wish to reply to the committee in writing—but can you be more specific as to what these logistical and personnel problems are?

Mr Cordner—They have been well documented over the last few years elsewhere and you would—

Senator HUTCHINS—I have only been a member of this committee for a while, so I have only just started to take an interest.

Mr Cordner—They have been well documented over recent times. In order to get the detail of those I suggest you talk with officials in the Department of Defence. Fundamentally, as a result of the Defence Efficiency Review, which occurred in 1998-99, there was a strong push to improve the way Defence did its business, to make it much more efficient in the way it handled government resources and also to improve its teeth to tail ratio. The result was that there was a significant reshaping—which I think was entirely appropriate—and a great deal of pressure and emphasis on managers and leaders throughout the defence organisation to be much better managers. That was necessary.

Unfortunately, one of the side-effects was that a lot of areas in defence have very poor logistic support. In 1999 I was a member of the Tomorrow's Navy team which did a review of the whole of the Navy. We found throughout the organisation very good people who were trying their best with very poor resources. For example, we had patrol boats that were not able to put to sea because of the lack of logistic support. We had inadequate weapon stocks. We had serious

deficiencies in many areas of our logistic support capabilities. It is one thing to have an emphasis on the teeth, or the sharp end, but of course the sharp end of a defence force means nothing unless it has the right logistic support. I think it is grossly underfunded.

The second thing is personnel. Through the last four or five years Defence has experienced much higher than normal levels of wastage of personnel. The separation rates have been traditionally high. There are all sorts of reasons for this, including the positive state of the economy and so on. However, most of the reasons that were well identified were to do with individual pressure of work, pressure of family and pressure of military service—that is, having to frequently relocate and so on. There has been a whole range of studies done, the Goode review and others, which have highlighted these concerns and have proposed solutions.

However, in effect, very little has been done to resolve these issues and very little funding has been put forward to assist a lot of our defence personnel. Money is not the only answer but, of course, money goes a long way to solving some of those issues. That is really what I am alluding to. If you want a more detailed listing of areas of concern we could endeavour to put those together, but you would be probably better placed to get them from the department.

Senator HUTCHINS—The department have not given us a submission yet, so I am sure they make take your offer up.

Senator FERGUSON—I really want to go back to where you talked about the size of the Defence Force and how it has become too small to enable it to do some of the operations or extend the strategy it might have had before. Surely, as part of our maritime strategy we need to take into account the size of our defence forces. In fact, it has now become the situation where our defence forces can do those things which are within their capabilities but, outside of that, we rely on our alliances. Surely one of the important things in maritime strategy now is to have interoperability, because we quite often are going to be working not just with Australians.

I would like you to comment on that aspect. It seems to me that if we do not have 2.5 per cent or we do not have an enormous pool of money to do all the things to make it possible for us to be self-reliant, then in fact we have to change the strategy to make sure we are using our resources in conjunction with those who we might need to help us.

Mr Cordner—I certainly agree with your statement. It has certainly been recognised in defence policy now for many years that interoperability is very important, particularly with the United States as our major ally, but also with our regional and other forces around the world. The unfortunate reality is that the United States has been pursuing a very high-tech path and there has been great difficulty amongst all of its allies—not only Australia, but Britain, Canada and others—in keeping pace with that. Interoperability is really vital in the areas of communication, command and control, intelligence support and those sorts of areas where we really need to have entirely compatible means of transferring and sharing information, but it is also important in the areas of logistic support.

Yes, we do need to be interoperable; it is very important. It is also very important that Australia is able to be interoperable at the relatively high end of the US capability as well as with our regional neighbours, who generally would have a lower end of technical proficiency and capability, and that costs money. But, again, for a nation that has a large geography, is

definitely a globalised player and has a small population, we need to ensure that our therefore small defence is as capable as it can be.

Senator FERGUSON—I understand. The reason I raised this interoperability was that last year some of the members of this committee were able to see what I would call interoperability working when we visited, as it was at that stage, the USS *Hopper* in the gulf, where Australian Navy personnel and American Navy personnel were working together in a totally integrated situation. In fact, if they did not have different uniforms, you would not have known who was who.

Mr Cordner—Yes, I agree with that. I have had much personal experience of that. However, our capacity to keep up with that is always in some jeopardy. Again, what you would have seen on an American ship is some gee-whiz technologies that you would not necessarily see in our ships. We could go into the details of those. It is so important that we maintain that, but there is a price.

Senator FERGUSON—Thank you.

CHAIR—I would like to touch on the Australian defence industry and our capability development. What is your opinion of our Australian defence industry's capacity to meet our current and future needs, particularly in relation to our maritime strategy—in other words, our defence industries here in Australia and their capacity to meet our needs.

Mr Cordner—I think our defence industry will, in general terms, shape itself to meet what it perceives as the requirement. One of the great things for the defence industry was the Defence Capability Plan. It provided a level of certainty to enable industry to structure itself and look at its opportunities. In the naval side of life, of course, because we have had a boom-and-bust ship construction and submarine construction program forever, that has presented considerable difficulties. As you well know, we probably have too many shipyards and too many companies trying to compete for a very small slice of the pie at this stage. That has to be restructured.

Overall, Australian industry has shown a good capacity to support our requirements. The way the international defence industries work these days, if we do not have it precisely here, we can soon get it from somewhere else—particularly in terms of high-tech professional personnel or particular equipment. Really, our role here has been largely a capacity to integrate them. We have learned a lot from what has happened in Britain, the United States and elsewhere, and I think we can shape ourselves to deal with it. If there were to be an increase in defence spending—and I am not confident that there will be—I am sure industry would rapidly shape itself accordingly.

CHAIR—In terms of the procurement of new technologies and platforms, do you see that the defence department should be looking at the strategic associations or alliances that we have, first and foremost in terms of where those industries may be located—in other words, based in America, with American technologies or European or NATO technologies—or do you think we should be just buying at best and not considering any strategic alliance that we have with some allied countries?

Mr Cordner—This may not be a popular statement, but I really think we have to look at all of those issues. I know that sounds like a bit of a cooperation-out, but we have to look at the

long-term viability of logistic support for the systems that we procure. The previous senator asked the question about interoperability, and that is a vital issue as well. All of these things have to be balanced. In some respects, it can be a strategic disadvantage if we acquire what might be very good equipment today from a small state somewhere on the other side of the world that in the future may not be sustainable or supportable. Aligned with that is technological transfer and also the intellectual property that goes with it.

I think it will always be a vexed issue. I do not think there is a black-and-white answer to it. Generally, we should seek to be compatible, both technologically and logistically, with our major ally. That does not necessarily mean we always have to buy American, but it would be a major influencing factor in our decision making.

Mr PRICE—I have two questions. Firstly, do you have a view about the government's proposed restructuring of defence naval industries? Secondly, does your centre have a view about the almost total foreign ownership of the merchant fleet service in Australia?

Mr Cordner—On the first issue, I have a view, but I would rather not comment. It is not part of the submission we have made this time. It is essential that our industry be restructured and that fundamentally the customer's requirements—that is, the needs of the Navy—should be the paramount consideration in terms of geographic location and so on. I know there are many other political factors that come into play when determining whether shipbuilding and repair facilities should be supported in a particular place or another. My simple view is that in the end we should look very carefully at what the customer's needs are and ensure that they are supported to the best effect.

In terms of foreign owned merchant shipping, I think that is an issue. However, these days, flags of convenience predominate all over the world. There are very few nations these days that have a significant shipping line of their own; most shipping is genuinely international and proceeds internationally. The priority for us as a nation is to ensure that we do all we can to provide a secure environment so that trade can flow and prosper. That is a strategic answer, not a local answer, of course.

Mr PRICE—On the subject of shipping, have you given any thought to the erosion of cabotage and the diminishing domestic merchant fleet?

Mr Cordner—No, we have not examined it recently. Along with other national infrastructure and transportation issues, I think it is something we ought to be concerned about, because we need to be confident that we have the appropriate levels of control over moving goods and services around our country. But, again, whether we own it or not is a moot point.

CHAIR—If there are no other questions, thank you, Mr Cordner, for your attendance via video link today. If you have been asked to provide additional material, you could forward this to the secretary. You will be sent a copy of the transcript of your evidence, to which you can make corrections of grammar and fact. Hansard may require some additional details concerning your evidence. Perhaps they can contact you if they need further comment or qualification in relation to your evidence today. It has been very successful to be able to link across the continent in this modern day and age. It is certainly a great use of time, being able to do it this way, and we thank you for your submission and your evidence today. We do value both of those. All the best to you in Western Australia.

Mr Cordner—Thank you. It has been a pleasure.

CHAIR—I will adjourn the meeting until 1.30 this afternoon.

Proceedings suspended from 12.30 p.m. to 1.30 p.m.

DUPONT, Dr Alan (Private capacity)

CHAIR—I welcome Dr Alan Dupont to today's hearing. Would you please state the capacity in which you appear before the subcommittee.

Dr Dupont—I am from the Strategic and Defence Study Centre at ANU and I am appearing in my private capacity.

CHAIR—Thank you. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and, therefore, have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you. Do you wish to present additional submissions or make an opening statement to the committee?

Dr Dupont—Yes, I would like to make an opening statement.

CHAIR—We welcome that opening statement. Prior to that, could you tell us a little more about yourself for the benefit of members of the committee who may not be as familiar as I am with your career.

Dr Dupont—My career, I suppose, is quite lengthy in terms of the number of years I have been involved in defence. I spent the first 10 years of my professional life in the Australian Defence Force and since then I have had a number of related careers in Korea and in foreign affairs. I have worked as a freelance journalist on strategic issues in Latin America, I spent 15 years in the Department of Foreign Affairs and Trade with postings to a career in Indonesia, and in the last seven years I have been the Director of the Asia Pacific Security Program at the Strategic and Defence Studies Centre, where my colleagues include Professor Paul Dibb, who appeared before you yesterday, Desmond Ball and others. That is basically my background. It is centred, I suppose, on a broad interest in strategic and defence issues going back 30 years.

CHAIR—Thank you, Dr Dupont.

Dr Dupont—I would like to make some opening remarks. I had intended initially to spend some time talking about the definition of a maritime strategy, but, having heard the comments of others much better qualified than I to talk about these things in recent days, I thought I would make a brief comment about my understanding of a maritime strategy and then make some broader comments about our military and defence strategy and the defence of Australia doctrine. If the opportunity arises, I might also comment on the new strategic review which has just been released and which I have in front of me here.

The central point that I want to make about the maritime strategy is that in many ways it does not actually encapsulate what our strategy has been for the last 20 years. I would essentially characterise that as a continentalist strategy with a maritime component, which I would really think focuses on sea denial. That is not really the classical definition of a maritime strategy, which is all about control of the sea and the use of naval power to protect your interests and advance your interests in more of a global sense. The classic illustrations of that are the British naval power in the 19th century and probably the United States in the last century.

Clearly, we do not have the capacity to do that. I understand that maritime strategy is a bit of a shorthand for having a focus on the maritime approaches to Australia, but I think perhaps there is some benefit in the future in the defence department fleshing out its understanding of what that actually means in practice. I think we do have a bit of a definitional problem there. However, I would like to move onto the core of what I really think your inquiry is about, which is to look at the strategic underpinnings of our doctrine and our strategy. I would like to dwell on that for a couple of minutes.

Without going into a long historical discussion about this—I think most of you are fully aware of where we have come from—I want to make a couple of quick comments. The focus of Australian defence since at least 1986 has clearly been on defending Australia from a particular kind of threat. That threat was conceived as a conventional military threat, probably from a neighbouring state, and it was envisaged that that threat would materialise or be focused on the sea and air approaches to Australia to our north. In essence, that was the defence of Australia strategy first articulated by my colleague Paul Dibb in 1986 and then reflected in the 1987 white paper.

That strategy was really based on essentially sea denial, highly capable maritime assets and a layered defence. In layperson's terms, it was about stopping the bad guys getting here, and anyone who got here onto Australia would be mopped up by the Army. Again, that is a simplification. That is the essence of what we have been basing our force structure on for almost 20 years. It is true that there have been much more sophisticated iterations of that strategy over the intervening period. If you look at the 2000 white paper and compare it with the 1987 one, clearly we have moved on a lot, so I am not suggesting there have not been changes.

What I am suggesting, however, is that the fundamental strategic underpinning of our strategy still remains that view that the most serious threat to Australia would be a conventional military attack through the sea-air gap. That should be the primary determinant of the kind of defence force we have, what we equip it with, what the size of it will be and what we want it to do. That is certainly my reading of what defence strategy has been about over the last 20 years.

People will argue 'It's more than that. It's all about contributing to the security of our neighbourhood and supporting wider interests.' Those things have already been elucidated in earlier white papers. But there is a difference between the tasks that you want of the Defence Force and the principle you use to structure it. There is an important difference. I have seen in recent months an argument that the defence of Australia doctrine was actually all about the region. I would contest that for you. That is not my understanding of what the old strategy was—and it is an old strategy now because I think the new strategy which is outlined here does make clear that there has been quite a significant departure. I will come back to that later on.

That is my understanding of the defence of Australia doctrine. There are a number of criticisms or comments that I would like to make about it. The first point is this. No-one would dispute that the primary role of the Defence Force must be to defend Australia. It is self-evident; it is a motherhood statement. The key question is 'Defend it against what?' My first criticism of the DOA strategy, as we have seen it develop, is that it is too narrowly focused on one kind of threat and that it is focused narrowly geographically, to the approaches to the continent. While you cannot rule out those kinds of threats—and I am certainly not inclined to do that—you have to make judgments about whether that is the most urgent and most serious threat that we are likely to face and whether that should be the determining principle for configuring our defence

forces for the challenges of this century. That is the question I pose to you. I do not think that strategy has much utility today. One of the reasons is the narrow focus that I see on this one kind of threat. We have virtually had all our eggs in the one basket.

Secondly, I think the strategy has failed to accommodate what one of my colleagues referred to yesterday as the 'new strategic agenda'. It has been variously described as tree hugging. I would contest the notion. I think it is a much more serious set of issues that we are facing here. We are talking everything from environmental security issues right through to transnational organised crime, illegal fishing and illegal migration. These sorts of things would have been wrapped up and described as border security by the government but that label does not really accurately characterise the seriousness and the diversity of those kinds of threats. Clearly, the Australian Defence Force has had a role, and will continue to have a role, in helping to combat them. Those kinds of new security threats need to be better accommodated in our strategy, and I do not think they have been up to now. You will see some rhetorical references to them, but usually they are qualified by the statement that these sorts of new challenges, except for terrorism, should have no implications for force strategy. I would suggest that those things do have implications for force strategy, and we need to think more seriously about that.

The third point I make—and this reflects on the theme of diversity—is that, if you look back over the way in which the ADF has been deployed over the last decade or decade and a half now, it has often been deployed a long way from Australia on a range of tasks, none of which have been considered central to the defence of Australia doctrine; they tended to be regarded in the official pronouncements as being ad hoc tasks or tasks that we can do with the force in being. You get to the point where, if the ADF is continually doing certain kinds of things and they are not recognised in the doctrine, you need to look at that. You start to see a mismatch between the security challenges you are facing and what your strategy is all about. If it was only an occasional deployment offshore, on peacekeeping operations, on constabulary tasks or all these other things, you could argue, 'Sure, we can do that with a force primarily structured to defend Australia.' But you get to a point where the ADF has, to a great degree, been deployed not only further afield than the sea-air gap but also on a range of tasks that are not really seen as central to our strategy, or have not been until now. The strategy has not really accommodated the diversity in the deployments of the ADF over the last 10 or 12 years, and we need to do a bit more about that in our strategy.

The fourth point I would make is that I think our strategists in the department have not given sufficient emphasis to the changing nature of war and conflict. I come back to the point I made about the conceptualisation of our defence in terms of conventional military threats from other states. If you look at the statistics over the last decade and a half, one thing emerges quite clearly. The incidence of conflict between states has declined dramatically since the end of the Cold War and the incidence of conflicts within states—intrastate conflicts, particularly in parts of the world which have lots of developing states, like ours—has gone up incredibly. To illustrate that with one example, in 2001, of the 15 conflicts deemed to be the most serious in the world, all were internal conflicts. Some of them spilled over borders and affected other states, but there were no incidents of major interstate conflicts in 2001.

People will point to Iraq or North Korea and say, 'That doesn't mean to say that we aren't going to have any more interstate conflicts,' and I would agree with that entirely. I am not suggesting that they are a thing of the past. What I am saying is that, if you look at the strategic trends, clearly it is internal conflicts which are generating most of the conflicts and which are

most likely to draw in the ADF. The primary example of that is East Timor. We have often thought about threats from Indonesia over the years, and the concerns reflected in Gallup polls have been about us being attacked by Indonesia. I see the likelihood of that as virtually nil. The concerns would be that problems within Indonesia internally could engage us and involve us. That has not been factored into our strategies sufficiently in past years.

Another point or criticism that I would make concerns the assumption—it is more than an assumption; it has been stated quite explicitly by some of our defence policy makers in the past—that, sure, we accept that a military attack against Australia is not likely, but we put a lot of store in it because, if it does occur, it is going to be the most serious threat to Australia. I would contest that as well. I can think of a number of scenarios that are not related to conventional military attacks which would be just as serious, if not more serious. A classic example would be a WMD attack on Australia by terrorist groups or by rogue states. That is a hell of a lot more likely than it was 10 years ago. We need to broaden our thinking about the nature of the threats that we are facing.

Of course, state conflicts are out there—and, yes, military forces. We have to look at what is going on in our neighbourhood, but we need to now factor in some of these other threats. They are real, not fabricated. I do contest the argument that a military attack on Australia from another state is necessarily the worst thing that could happen to us. There are other things that are just as alarming, in my view, if you want to look at it in those terms. The underlying logic of that argument also needs to be looked at. If you were running a business and I suggested to you that you put all your resources in preparing for the least likely contingency, you probably would not be in business for very long or, frankly, your shareholders would be asking some serious questions. You have to factor in probability as well as seriousness. The consequences of an action must be carefully weighed against the probability of its occurrence. This is all about risk assessment. That is what we pay agencies like the Defence Intelligence Organisation lots of money to do. We ask them to make judgments about our strategic environment and give us some sense of the probability of threats arising.

Sometimes people will say, 'Yes, but history shows us that threats can arise suddenly, and we need to have a force in being now. We cannot be complacent and say there is not going to be a threat for the next 10 to 15 years.' That is a gross oversimplification of what I am saying. If a major military threat were to arise in our region and threaten us, there is no question in my mind that we would have adequate warning of that. You cannot acquire those capabilities overnight. Look at the countries around us and ask yourself this question: even if they have the intention of carrying out some kind of military attack in the next 10 years, would they have the capability? That is why we pay our defence intelligence analysts to make these judgments. Having looked at it myself, I would say no country except the United States has the capability to attack us successfully militarily in the next 10 years. I would be quite confident standing by that assertion. Again, I am saying that we need to get some sense of relativity into our strategic thinking.

There has been a lot of smoke and mirrors in this debate over the last 12 months. It has been rather difficult for people who are interested to understand what the arguments are. I would like to make a couple of points about the characterisation of the debate. The first is that I am certainly not arguing—nor, I think, is the government—that we need to develop an expeditionary force; that is, that we need to develop a force that is primarily configured to project force offshore. What the review makes clear—I read it this morning—is that we need to

have some capability to project force in certain circumstances. Those circumstances are qualified by two things. Firstly, we are talking about niche capabilities here; secondly, in virtually all instances it would be in coalition with other countries.

There is no requirement—and I doubt if we have the capability—to actually develop a force that can project serious military power a long distance away from Australia unilaterally. We do not have the resources. And why would we want to do it? I would not support that. That is what I am talking about here—a small but effective capability to do some of these things. Whether it is Afghanistan, Iraq or wherever else the government decides it wants to send the ADF, it has to have the capability to do that, within certain limitations.

I have noticed a tendency to talk about regionalists versus globalists. I do not think that is a fair characterisation of this debate either. In a sense, we are all globalists and we are all regionalists. It is not an 'either/or' argument. No-one is arguing that the ADF should be just about global power projection. By the same token, I do not think anyone would accept in this day and age that you only look at your back door and that is it. You cannot do that. We are living in a globalised world and security has become globalised, so it is a question of the balance between the two tasks. What I have been arguing is that of course the priority must be our region, but it should not exclusively be 'the region'. What do we mean by 'the region' anyway? What is the definition of 'the region'? There is a lot of difference between talking about Papua New Guinea and talking about Korea. We need to be very careful when we throw these labels around. That is not a helpful way of characterising this debate.

The final point I wanted to make is on the question of costs. It has been suggested that, if any government wants to depart from the strategic planning assumptions of the last 20 years, it does so at its peril. It would cost enormous amounts of money, and the government does not have that—and no government would anyway—so how can we do it? I have a problem with that argument. It seems to me reasonable that the first thing you do is sort out your strategy before you start talking about detailed costings. How can you cost something if you do not know what it is?

We are at the early stages of thinking through what changes have occurred in our strategic environment and what it means. We are still a long way away from working out the force structure implications in detail—and the costings. Yesterday someone said that strategy without money is not strategy but an indulgence. I would respond by saying that spending money without a good strategy is wasted money and is financially and strategically irresponsible. We can have a semantic argument about that, but the reality is that the costings will come in due course. I would be very critical of the government if it did not come up with costings, but we are a long way from that.

At the moment we are arguing about the strategy. There is a growing consensus that we need to move some distance away from the old strategy, but we need to spell out clearly what that is and in what areas. This is an important step forward, but it is not the be-all and end-all; it is not the answer to everything.

I will conclude by saying that what I am on about here is not about radical transformation or radical change of the ADF strategy. We are probably talking about changes of 10 or 15 per cent—of that order. It is significant but it is not fundamental. We have to accept the realities. We have a force in being, a so-called legacy force. We have to live with that. We

cannot turn the ship around overnight. Still, we need to begin to think about the consequences of these changes and work out where we need to make them in our force structure. The strategy does have to change, and the government has gone some way down that path today. I expect that we will see more of that in the next year and a half. Thank you very much.

CHAIR—Dr Dupont, thank you very much for your presentation. You said in your presentation that in the next 10 years no country would threaten us in a situation where we could not handle ourselves domestically in terms of a threat. You said that there is not a country out there that has a capability that would threaten us. Are you referring to our very near neighbours? Where do you describe our region of interest, considering trade as well as security issues?

Dr Dupont—The way in which we have tended to use the term 'region' has been pretty much synonymous with South-East Asia and the south-west Pacific. I believe we should expand that definition to include North Asia. My understanding of the region includes North Asia. In the past the distinction has been made between the region that is of interest to us for trade and political reasons and other regions. The defence interest does not extend that far. It tended to be seen in narrower neighbourhood terms—that is, South-East Asia and the Pacific. I do not have a basic problem; all I am saying is that when we use the term 'region' let us be clear which region we are talking about and where the limits of that are.

The trend over the last 20 years has been away from this geographical focus on the immediate region—that is, those countries immediately surrounding us—to being aware that problems in other parts of the region and globally can impact on us directly because of the way in which time and space have been compressed over 20 years. We use the term 'globalisation', and that essentially captures it. Most people appreciate that. Nevertheless, we do have to be careful when we are thinking in defence strategy terms and say, 'That's fine, but under what circumstances will we deploy the ADF?' Ultimately, it is a political judgment for any government of the day as to where and when it will deploy.

My point is that the ADF needs to have the ability to meet any government's desire to deploy further afield than just the immediate neighbourhood. I am sorry, I have forgotten the first part of your question.

CHAIR—You said in your presentation that no country would threaten us in the next 10 years and that the only country that would have a capability would be the United States, which is an ally.

Dr Dupont—Yes. We do pay people to look at these things—to look at other countries. It is right that we monitor military capabilities in neighbouring states. That is a sensible and logical thing to do. I spend a lot of my life doing that. The point I am making is that, if you are arguing that military threats to Australia are the primary determinant of our defence force, it is really incumbent upon you to argue your case. Which countries are going to have the ability? We cannot categorically rule out countries on the basis of intention. We do not know what the countries are going to be thinking about in 10 years, but we can certainly look at their capabilities.

If you look at the capabilities, if you go through the region, the only countries that could seriously threaten us would be major states. We are talking here about China, India and

Indonesia, for example. I spend a lot of my time looking at it and I can tell you I am pretty confident in saying that none of those states would have the military capability to project force in a serious way onto the Australian mainland in the next 10 years. My point is that you do not rule that out entirely. You watch what is going on, but you do not argue that our defence forces should be structured for a contingency that is highly unlikely when you have all these other threats out there which are here-and-now problems.

Senator JOHNSTON—Dr Dupont, you mentioned that we should be in the strategy development phase. I am interested in that concept. Given the way the ground is moving—and it is moving fairly rapidly—strategic development, it seems to me, will always have to be an ongoing, adaptive process. But let us just say that we take the here and now and we want to develop a strategy for what we perceive to be the threats five years hence, maybe 10. What is a realistic time frame for the development and debate regarding that strategy to go on?

Dr Dupont—I do not think there is any definitive answer to your question, but I take your basic point. You are absolutely right: the world does not stop while we sort out our strategy. The defence forces are having to deal with real and ongoing problems now with the force they have in being, with the strategy they have, with the guidance they have been operating from. Any government will face the same dilemma and do what this current government has done: as it sees changes, it factors them in and shifts focus; it has to do it with whatever it has there at the time. There is no other way of responding to that.

What I am saying is that governments also have an obligation to look forward and say, 'Are these temporary phenomena? Are these more fundamental shifts?' If they are more fundamental and we can see us doing more of this, or different things, then we need to think that through in terms of our spending, our force and so on. That is where strategy does become important. What the Defence Force wants is some kind of guidance from the government of the day as to what they want the ADF to do.

We have stretched the tasks of the Defence Force so much over the last five years that there is a lot of confusion now in Defence about what our priorities are. They say, 'What do you want us to do? Some of these tasks you are setting us would appear to be owned by other parts of the government or other departments.' We are only playing a minor role. What is our role? We need to have a clearer sense of what the Defence role is in all of this. We all know the war against terrorism is a major problem, but some of my colleagues would argue that it is not a primary problem for Defence.

That may well be the case, but nevertheless there clearly is a role for Defence. Let us think through what that means. In that area the government probably has already started to address these things with the special operations command, the RAR, the increase in special force capabilities. That is an example of a government adapting on the run, as it must do. What we want to have is a policy and a strategy, not ad hoc, knee-jerk responses to things as they develop. That is the way I would like to see us go. That is why it is important to think through conceptually what we want the ADF to do.

Senator JOHNSTON—How long do we thoughtfully think it through conceptually? You tell me that anything less than that is ad hoc knee-jerk reaction, yet I am wondering if you would argue that, in the circumstances, there is in fact a need for a maritime strategy. We as a

committee have not as yet attacked that point. Isn't the concept of a defined maritime strategy almost irrelevant to the nature of fluidity in our expanded region and in the world?

Dr Dupont—My way of looking at this is this. First of all, you need a defence policy and you need an overall strategy, but if you come down a level there is a thing called military strategy. How are you going to operationalise that? What we have argued is that the ADF is going to operationalise that according to the tenets of the maritime strategy, which has been spelled out to some extent. I have problems with the way in which that has been defined, because I do not think it reflects the kind of military strategy we need today for the threats we are facing. Of course, you have to have a maritime component, but the maritime strategy is the underpinning strategy for our whole defence posture. The way in which it is described under the defence of Australia doctrine I have real problems with in 2003. It might have made sense 15 or 20 years ago, but things have moved on. I do have a problem with the maritime strategy as it is conceived under the defence of Australia doctrine.

Senator JOHNSTON—Are you talking about the emphasis on planes and ships in that?

Dr Dupont—I hesitate to get into a discussion about the emphasis on different kinds of systems and platforms, and the services; you need to have all three operating together. That has been made clear. The question is this. What are you operating the Defence Force for? It is always going to have the Navy, Army and Air Force elements to any strategy—certainly for the foreseeable future. It is not a question of whether you put more money in ships or less in aircraft. The questions are these. What kind of integrated force do you want? What do you want it do? And what does that mean for each of the services, as well as for the overall force?

Senator JOHNSTON—I suppose you say we have emphasised Navy and Air Force at the expense of Army. Argue that for me. When you look at where we are now, there is a lot of logic in doing that. Let us say we need to change that. What is the short-term considered conceptual response we need to rebuild and re-emphasise, if you like, a flow to Army?

Dr Dupont—There are two points I would make. First of all, there is no doubt in my mind that our land forces were hollowed out during the 1990s. It flowed logically from the definition of a maritime strategy that the Army was the fall-back force to mop up the bad guys; later on, it was given a role in so-called littoral operations, a secondary role. I think that was unfortunate, and I think the Army was clearly underresourced over a long period of time. A lot of the operations that I see taking place now—certainly in the last 10 years—and in the future are going to be focused on land operations with boots-on-the-ground capabilities. There needs to be some redressing of what I think is an imbalance between the resources given to those different elements of the force.

I do not want this to sound like an Army push to get resources from Navy and Air Force. It is not about that at all. But I think adjustment must be made. My recollection is that Army was getting perhaps about 15 per cent of the capital vote for a long period. I think that was too little and I would like to see that increased. How much it should be increased is a matter of judgment, and I do not have the answer to that, but I think it needs to be increased to some extent.

Mr PRICE—Is it fair to say the 2000 white paper started to unshackle that straitjacket?

Dr Dupont—I agree with you. I think that is true.

Mr PRICE—I could say the previous document came out earlier and had the same thing, but I will not.

Dr Dupont—I think that is absolutely a fair comment. The way in which I have described the defence of Australia was beginning to change in the late 1990s, primarily because of East Timor. That was the thing that really started it. The government has started to address some of these deficiencies, so things are much better now than they were. Nevertheless, the strategy has not been adjusted accordingly. It has been actions carried out by the government of the day in response to perceived shortfalls, but now we have got to the point where we need to address that in terms of the overall strategy. We have a problem there. What is it and what do we need to do about it? That process has begun but I think there is a need to articulate more about where this is going in the future.

Senator JOHNSTON—So you are saying that, when we look at this map in today's release and we look at what in effect is probably almost 80 per cent of these some 13 engagements, they are boots-on-the-ground type operations, and we need to start factoring that additional workload into our strategy now?

Dr Dupont—I think so. I am on record as saying that I think the Army is too small for the tasks it has been asked to do. If you are going to increase the special forces component—and others have made this comment—you have to do it from the Army; you cannot actually recruit these people off the streets. That is one reason—if you want to increase your special forces capability. Secondly there is this. I have had a look at this over the years. There are six battalions to do the sorts of things we are being asked to do. It is not very much for a country our size.

Senator JOHNSTON—How much do you want to go to?

Dr Dupont—I think you can make a credible argument for perhaps another brigade for the Army.

Mr PRICE—Is that three or two? It used to be three.

Dr Dupont—An additional brigade would be, say, three battalions.

Senator JOHNSTON—So nine?

Dr Dupont—Let us say you are looking at 3,000 or 3,500 additional people. It is a lot for the size of our force, but it is still going to be a smaller Army than we have had historically, by quite a significant way. If you are going for 25 to 28 or 28½, it is going to cost you. Off the top of my head, the establishment costs may be $500 million in the first year—of that order. Yes, it is a lot of money, but my judgment is that we need to have a bigger army.

Mr PRICE—If one wanted to agree with you or accept the case you are putting, why should we, when the Army has failed to reform?

Dr Dupont—Sorry?

Mr PRICE—When Army has failed to reform. I think the real test of any reserve is whether you can use them. That is one measure. I am not trying to reflect on the individuals, but the Army reserves are not usable unless we get a blended company out of every brigade of reserves. If you did the costing for that, it would be phenomenal. It would be more expensive than SAS.

Dr Dupont—I take your point. Governments are accountable to people, so it is very hard to argue a case to any government that you need to increase things or spend more money, unless there is evidence that they are using what they have effectively or well. They have to go back and argue their case. I think there are some areas in which Army needs to reform; the use of the reserves is one old problem that we have had. We have never got effective value and use out of our reserves. We spend a lot of money on it. I have my own views about that, but my perception is that the Army has started to seriously address that—and the government generally—over the last 18 months. I am not sure where all this is going to come out, and I agree there is scope for perhaps further reform, but to me that is not an argument against looking at the fundamental issue: do we have an army that is big enough in structure for the new kinds of task?

Mr PRICE—Organisationally, if you root it in the defence of Australia doctrine, it does not particularly matter if you have three brigades that are completely different from each other, because you are doing a mopping-up operation. But if, as you are saying, we want to factor in routine operations in our region, in coalition or wider, then the organisation of the Army becomes a very important issue, and whether things are readily able to be duplicated becomes a very serious issue.

Dr Dupont—You are absolutely right. If you buy the defence of Australia argument, then you can say, 'We can probably get by with what we have got.' If you do not believe in that, and you believe that it needs to do all these other things, as you have highlighted, yes, you need to look at a more capable army, but you need to look at its structure and organisation and so on. You need to look at the way in which we are organised. You can start to have arguments about whether the battalion and brigade structure is appropriate, whether we really want to have specialised capabilities in each particular battalion, as we have, or whether we should just have a standard battalion which is multiskilled. You can have all those sorts of arguments.

I hesitate to get into the nitty-gritty of that because it is something the Army have to sort out, but the questions they will want to ask government are: 'What do you want us to do? What are the priorities?' It is the same for the Navy and the Air Force; it is the same question. That is where I am on those sorts of questions. It is up to the services to look at their structure in the light of new guidance and the resources they have, and to come up with some alternative ways of doing things. I do not think we have done enough of that in the past either.

Mr PRICE—In relation to special operations, clearly some of the additions and changes were in response to the war on terrorism. Is there an argument that can be mounted that, with the latest additional resources proposed for it, it is being structured now for coalition operations more than it might otherwise have been in the past?

Dr Dupont—I think it is fair to say that there is more emphasis now on the ability to operate in coalition—particularly with the Americans. I would not say that is the primary driver of the changes, but it is a more significant factor. That is the way I put it. But a lot of the increase in the special forces capability has really been directed at homeland security and our immediate

region, as well as the coalition option. It would be unfair to say that it is one or the other that is driving it. It is a combination of factors.

Mr PRICE—When we have talked about coalitions well away from Australia, a point has been made to us repeatedly: 'We should send ships, the Air Force and perhaps, as we did in Afghanistan, our special forces.' Clearly both Navy and Air Force make acquisitions to operate in high-end conflict, but in Army we talk about light infantry. Do you have a view about that? Should it be light infantry? Why are we excluding high-end Army operations?

Dr Dupont—I will make two comments. One concerns the broader issue of high-end versus low-end conflict and how we should structure the ADF generally. This falls into the category of some of the other issues that I touched on: regional versus global, high end versus low end. They are often posited as choices between two opposite strategies. Again, my response on this issue is that of course we have to have state-of-the-art capabilities, including the ability to fight high-intensity conflicts. The point I make there is that, when we do go and buy the BMW7 series, let us get it with all the bells and whistles fully optioned, rather than just getting the base model and finding out later that it does not have certain things we want.

My criticism of our acquisitions for high-end conflict in the past is that we have gone and bought quite expensive capabilities but we find we have not bought the full kit. Then we find we do not have the radar system or electronic countermeasures that we want. Let us get that right. When we do get the high-end capability ,let us make sure it is actually able to be deployed in a high-intensity environment.

The low-end part is important, too. My argument is that we need to structure for a broader range of threats and more diverse tasks. You need to take a few of the eggs out of the high-intensity basket where most of them are and distribute them across the spectrum a bit more, as a general principle. The hard part is to what extent you do that exactly. That is something government has to deal with, but that is the guiding principle.

On the issue of light infantry, this term is a bit of a misnomer. Let me put it this way: people have different understandings of what you mean by light infantry. I am not aware that the Chief of Army is arguing for light infantry. What he wants is a reasonably heavy force that has a lot of firepower and protection. It should be light in the sense of being able to deploy quickly, it is true. That is required. But it certainly needs to have a lot of firepower and defensive and offensive capability. It may well be supported by tanks and armoured vehicles, in my view.

Mr PRICE—But I think the point that Brigadier Wallace will make when he appears is that our Army is not capable of fighting in a high-intensity conflict.

Dr Dupont—That was a fair judgment a couple of years ago. A few things have been fixed, but we have a long way to go. I keep going back to East Timor as the most recent example of us deploying a substantial force to an operational theatre. You know the problems we had in doing that. I notice that someone yesterday said, 'Yes, it was a little bit tight, but we did it reasonably comfortably.' I am sorry, I have a different view of that. We were deficient in many areas. If we were really stretched in East Timor, we are going to have problems with something of a higher order. I defer to my serving colleagues to make judgments about that, but my assessment and understanding are that they are a long way short of having that ability yet.

CHAIR—Page 24 of *Australia's national security: a defence update* is relevant to what you are talking about. It says:

> These new circumstances indicate a need for some rebalancing of capabilities and priorities to take account of the new strategic environment, changes which will ensure a more flexible and mobile force, with sufficient levels of readiness and sustainability to achieve outcomes in the national interest.

We have probably been talking a bit about it with the question from Roger Price, but could you go a bit further in terms of rebalancing of capabilities. Is it only in one of the three services? You mentioned Army particularly in your submission.

Dr Dupont—Obviously, I am not privy to Senator Hill's direct thinking on this, so I can only interpret it. My interpretation would be that the rebalancing should take place at a systemic level—that is, across the board. In other words, there should be a rebalancing of capabilities to meet the new challenges as well as to retain a residual capability for the old styles of conflict. We have to have both. That is, in one sense, the reference to rebalancing. It means rebalancing a little bit between the services in terms of my comment to you about Army. The Army has been underresourced. There may be a need to increase the resources to some extent. But also, within the Air Force, Navy and Army itself, there has to be a rebalancing in terms of looking at the new task and asking whether they are doing it in the most effective way—or whether, in fact, they should be doing it at all.

Take the Navy and a question which has been asked many times, and which I think is a valid one: do we send expensive frigates up to intercept asylum seekers and monitor and so forth? There is an argument that you do not do that. That is not a useful way to use a very expensive war-fighting resource essentially. In terms of balancing capabilities, they are the sorts of things that need to be looked at within the services as well. It goes right across the board. That is what I think that refers to there.

CHAIR—Australia's region of interest, particularly in relation to trade, is obviously in our interests. We talk so often about sea denial, as well as control of the sea. How far do you see our reach going in relation to control of the sea—which, of course, secures our trading opportunities within our region?

Dr Dupont—There are many ways to skin a cat. Control of the sea does not necessarily imply that you need to be able to project your military power into those areas to directly control it. We can control it in other ways in tandem with our neighbours.

I see a lot more scope for joint operations and regional cooperation to defend sea lanes in South-East Asia, for example. I think there is more that can be done there in terms of counter-piracy. There is a range of things that we can do in conjunction and cooperation with others that will help bring about the sorts of control of the sea lanes that we want, or protection of them. I do not think it is necessary for us to think in terms of projecting our maritime capabilities further afield than that initial area; I think it is beyond our capabilities. We are talking about sending a fleet steaming up into the South China Sea to protect a perceived threat against it. You would have to ask the serious question as to whether we actually could do that by ourselves. I doubt very much whether we could, depending on the nature of the threat and so on.

It is one of those issues that is really hypothetical. You would have to be more specific about the nature of the threat. But that is the way I see it. There are many ways of protecting our trading interests without projecting our own military power into the region that we are concerned about. We have to be aware, obviously, of the limits of our capabilities there, and they are pretty significant. Even though we are a rich country, we are also a pretty small country. Twenty million is not a lot of people to fund those sorts of defence capabilities. We have to live within our means.

CHAIR—Some groups have proposed that defence spending to support a credible maritime strategy should be at least 2.5 per cent of GDP. Could you give us your view on that, as a measure of need? Is it a credible measure? Is it something that we talk too often about and really is not relevant at all to our strategic need?

Dr Dupont—It is very difficult to define a benchmark figure in terms of percentage of GDP. If you look around the region, and globally, you will see that countries spend everything from 0.8 of GDP right up to six per cent or seven per cent—or even more in the case of North Korea. If you benchmark us against like-minded countries who are at similar levels of development, we are probably around average, I would say. We spend more than the Canadians and more than the New Zealanders, obviously, but less than the British and less than the French. We are somewhere in the middle.

I think that 1.9 per cent is a bit on the short side. In an ideal world, yes, I think that we should aim for the 2.1 per cent or 2.2 per cent that we have talked about and that has been highlighted in strategic documentation for 20 years but that we have seldom reached. That is a political problem for all governments. It is pretty hard to justify increases in defence spending unless you have a series of crises. Maybe now is about the only time you could justify that; otherwise it is very hard.

CHAIR—There are no more questions from the committee. I thank you for your attendance this afternoon. If you have been asked to provide additional material, would you please forward that to the secretary. You will be sent a copy of today's transcript of your evidence, to which you can make corrections of grammar and fact. Hansard may wish to check some details concerning your evidence, so would you please check if the reporters have any questions before you leave. Thank you for your submission and evidence this afternoon. We certainly value your time.

Dr Dupont—Thank you very much.

[2.27 p.m.]

WALLACE, Brigadier Jim (Rtd) (Private capacity)

CHAIR—I welcome Brigadier Wallace to today's hearing. Would you like to state the capacity in which you appear before this committee.

Brig. Wallace—I am a retired officer. I appear as an individual. I am speaking from—and I would like to make the point—some 32 years of experience in the Army. I have only been out of the service officially for one year, although effectively for two. That concludes 15½ years in command, including command of the special forces, command of SAS, and command of the Army's mechanised brigade, which, at the time, was running a restructuring of the Army trial, so it was looking at how the Army would fight into the 21st century. I am also a graduate of the Australian College of Defence and Strategic Studies. I make all these points because I have been dismissed by certain people in this debate who say, 'Who would listen to a retired brigadier?'

CHAIR—Before you go on, I should say that, although the subcommittee does not require you to give evidence on oath, I advise you that these hearings are legal proceedings of the parliament and, therefore, have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from you. Do you wish to present any additional submission or make an opening statement to the committee? If you do, as you were starting to expand on your career, it would be of interest if you could spend one or two minutes to expand a little bit more on your background for the benefit of members of the committee who may not know your background and career as well as some.

Brig. Wallace—Thank you very much, Mr Chairman. I have little to add to what I have just said: 32 years; 15½ years in command, which I think few people can beat; 8½ years in the SAS, including three years in command of it; three years in command of the Army special forces; and two years in command of the Army's 1st Brigade. I was a student at the British Army Staff College, later went back as an instructor there, and I am a graduate of the Australian College of Defence and Strategic Studies.

In that regard, I would like to make the point that my life has been joint: special forces officers rely on Navy and Air Force for their operations. They need a Navy and Air Force to deploy. You will be led to believe that, if you listen to someone with a particular uniform on, you cannot trust them for a joint view. That is not the case, not only in special forces but with all service officers. All our operations are joint. It is a shame that we see that thrown around. I would now like to make an introductory statement, Mr Chairman.

CHAIR—Please go ahead.

Brig. Wallace—The strategy that we have before us in maritime strategy, it is important to realise, is not a national strategy; it is a defence strategy, or military strategy. I say that because it is important to realise—and I do not mean to insult anyone here—that this describes how the Defence Force will be structured. It is not national strategy. There is a very important difference there. It led the author of the 2000 Defence white paper to say, as he was meeting on it with a

group of senior officers in Defence headquarters, that it was about force structure and capability. It is, and it drives that.

Defence strategy is not only driven by the maritime strategy; it also constrains the structure of the Defence Force. This is very important to understand. Within that organisation over there—and a point of great frustration for me—is that nothing gets up unless it can be justified against defence strategy, in this case the 2000 white paper.

Therefore, the things that are said in that are extremely important and have incredible ramifications. It means that cries like 'self-reliant defence', as benign as they might seem, are not. When they translate down to people who are actually doing the force structuring—and I was the director-general of land development, so my job was to force structure for Army within a joint environment—once you get something like 'self-reliant defence' thrown out as a catchcry in your policy, it means that a much lower priority is paid to, for instance, interoperability with the United States than otherwise would be the case if that cry was not in there. This has very important ramifications, so these sorts of catchcries are important.

Most importantly, the defence strategy, in constraining defence development, sets priorities. Therefore, people will say—and I have heard people say it in this debate and before the committee—that we have covered this, that and everything else in our defence strategy. Yes, it has been mentioned in there, but we work within a budget. Unless the priority is clearly enunciated so that something gets up over that budget line, it might as well not be mentioned. It is only mentioned in there to save academic and bureaucratic backsides. It does not help in the structuring of defence. It is the priorities enunciated in defence strategy which have the most impact.

Unless those who are authoring defence strategy have a full appreciation of the tactical, operational and strategic levels of military operations, it is almost impossible for them to understand how all these bits and pieces fit together. The complex interaction of defence capability across those three levels is absolutely essential to understand if you are authoring a defence strategy; otherwise, you cannot give the sort of direction that sets the right priorities and that allows you to have a force structure that will work.

It is very important, as strategy is formulated, that it gets it mainly right as it looks out to 15 years and beyond. It is that sort of lead time that we are talking about—certainly for major equipment. For most of the major equipment, it is probably more like 20 years, but even to develop some relatively simple capabilities it could take seven years. The importance of defence strategy is that it must get it mainly right. It must not unrealistically constrain defence development for 15 years and beyond. In that regard, I think we have mainly failed.

I recommend to you the foundation paper you were given, as a committee, on Australian maritime policy. That is an excellent paper. I ask you to familiarise yourselves with, and perhaps read again, the analysis given between pages 9 and 15—the analysis of the development of Australian defence strategic policy. You will see that what it says there, from an independent arbiter, is that we have not got it mainly right at all. We have got it mainly wrong.

Senator JOHNSTON—Which one was that again?

CHAIR—A parliamentary library paper.

Brig. Wallace—In my opinion, it is a very good paper, particularly its independent critique of our defence strategy and the development of it over time. The thing about that is not only that have we mainly got it wrong, but also, as you will see all the way through it, that the author refers to the fact that we have responded late to things. In other words, we have failed to address reality in looking out that 15 years, and then, as reality has come and hit us, we have suddenly tried to catch up. That is the greatest failing of our defence strategy to date.

In my view, we have not had strategy for the last 30 years. What we have had is incremental retrospective partial realism, and I select those words carefully. I am sure you will see that that view is given a lot of support in the independent review that you have there. Let me make it clear that I think what the government is doing in trying to redress this now is very laudable, but I just picked this up from the minister's office and I see in here that we are now talking about the threat of weapons of mass destruction and we are saying how the end of Soviet communism and the fact that the wall is down has changed the balance sheet and means that these things are becoming available. Gentlemen, the wall came down in 1989.

In 1993, I went to the United States to visit my counterpart, who was the head of special forces. I found, of course, that the United States was already working on this reality and preparing its special forces for the fact that it would have to respond to this, because everybody knew this was happening. Everybody knew that the fall of the wall meant that a whole lot of scientists in Russia were no longer employed, that they were available on the open market, and that these weapons of mass destruction would be likely to fall into the wrong hands. I came back here and said, 'Surely, we should do something about this too and we should start developing our special forces to be able to deal with this.' I was told, 'No, that's not within our defence strategy. We're defending Australia.'

Here we have catch-up again. I do not blame the government for this; I blame the bad advice it has received over 30 years and the poor strategy that has been involved. Of course, we have seen the effect of this on operations. We all know the problems with East Timor; I will not run through those again. Essentially, they were problems of logistics and sustainment, but also air defence. We saw the problem in Afghanistan. We had to throw $23 million at 150 blokes to send them into Afghanistan, because things we had been asking for for 15 years, to my perfect knowledge, had not been provided. Yet we knew that they were going to be necessary for these real things we were going to have to do.

You might remember we sent a medical team and some defence troops to Rwanda. I was talking to people involved in that operation this morning, and they confirmed for me what we did. Because we only had one field hospital and did not want to send it in case we needed it, we had to suddenly pull together a whole lot of medical equipment, put it into a conex—without the people who were deploying to use it even seeing it—and then have them arrive in Rwanda and try to put together a hospital. Of course, they found that the people had packed the wrong stuff; they had too much of one thing and not enough of another. This fellow said that, if it was not for the fact that we were occupying a hospital that had been trashed in the process of what went on there and were able to garner stuff from there, we would not have been able to do the job.

We have the special forces now really overcommitted. Special forces and the SAS, in particular, have always been overcommitted, but now they are really badly overcommitted. Why? Because we have not understood the connection between having an army that is big enough to provide the special forces we need and the fact that, if we continually re-employ

these people on very high-intensity operations—and I am saying, from a personal, individual point of view, that they are high intensity—it is going to place a lot of stress on the system, and we simply do not have the army to provide that.

In relation to the commando regiment, I would like to illustrate the nonsense that we have been living with for 30 years. I was responsible for raising the commando regiment, as the Commander of Special Forces. I studied defence academics overseas. I would not study too many of the ones here, but I studied defence academics overseas and the whole shift in the way conflict was going—to a world which was going to look more like we actually have today. I wanted to raise a commando regiment. I also did it because in our region, if you are going to respond to a collapsed state or to a threat against Australian nationals, you are going to have to have a commando regiment. There is a lot of water out there; the best way to get into these places, and the way to do it without declaring war on a country—by jumping on them with a parachute regiment or something—is to use commandos, because the Navy has usually got a ship in reasonable proximity.

I could not justify getting a commando regiment for the very real reason that we needed a commando regiment. The other reason I wanted a commando regiment was to remove from the SAS the counterterrorist capability so that SAS would be available for the sorts of operations it is doing now, without reducing our counterterrorist capability domestically. We would put what is in fact just a direct action assault—but a very sophisticated one—into the hands of slightly more special people, not necessarily at SAS level. The Army thought that was a good idea and approved it. The thing sat there and bubbled along at about 100 people or so for years, between 1996 and about the end of 2001; after September 11, we suddenly started trying to scrabble to get together a capability that we should have had ready for September 11. I cannot tell you the degree of frustration there is for someone who has been asked to study, to know his profession, to work within a strategy that is totally unrealistic. That has been our experience over the last few years.

What it results in is really no confidence by people in the strategy. We had, for instance, in Australia generally, these credible contingencies—as at one stage the strategy said. They were known throughout the Army as incredible contingencies, because they were never going to happen. The effect on morale of asking people to commit their lives to training for something which is incredible should not be overlooked. It ends up with huge frustrations for officers and soldiers, and a brain drain as people—not old fuddy-duddy brigadiers like me, but young people, young lieutenant colonels—come into the defence organisation and realise they are working within a nonsense strategy, realise that they cannot effect it and so, in frustration, leave.

Most importantly, it results in the shift of strategic risk from where it should be taken—at government and defence headquarters level—down to soldiers. They are deployed without what they need to do the job and expected to come up with the answers. The national responsibility is suddenly on them instead of being taken in tough budgetary decisions where it should be taken, up at government and in the defence department.

What about maritime strategy? First of all, we are finally getting to the point with our maritime strategy where we are starting to build into it the capabilities that will allow us to develop in the future. But it is too late; we need those capabilities now. You should realise that this maritime strategy is the product of 25 years of bureaucratic compromise. As a staff officer to the chief of operations back in 1986 and throughout my career, I have been closely associated

with the development of strategy through the various iterations that it has taken. I can tell you that Army's goal right through—and its goal also for Navy, and realising the importance of Navy in supporting this sort of strategy—was to get the sort of capabilities that now this strategy is starting to come to.

It did it the same way I had to raise the commando regiment, by justifying it within this nonsense even though you know that what you are saying is not going to happen. I doubt very much if we really believed that we would shoot forces up into the archipelago, particularly land forces, in the event of a threat against Australia. The reality is that we did that during World War II, and it worked badly. We know that to be destroyed piecemeal, when you have a small Defence Force, as we will always have, is a risk that nationally we cannot take. I really do not believe that the maritime strategy, as we are developing it, is the result of objective reason; it is the result of bureaucratic compromise which allowed Army to find a niche in it by which it could justify the capabilities for force projection that it has needed for the last 30 years. This is the point: it is the result of bureaucratic compromise.

The maritime strategy as it is now is closer to what we need. From that point of view, you might say, 'Okay, let's run with it.' But there is a danger in that. I would say, 'No, let's not run with it. Let's not run with it because we are about to place ourselves in another intellectual straightjacket.' The importance of it is that, as you pursue this strategy to inform defence structure, you are going to need to make decisions about priorities. People are going to start justifying their capabilities against this maritime strategy. When you are in a tight fiscal situation, it means that you will find some justification of capabilities which are not actually still relevant to what you are going to do, because you are justifying it now against a maritime strategy which is better than the old defence of Australia construct, but which is still an intellectual straightjacket. It is not necessarily providing an object which is reality, which is what we are looking at.

What do we need? We need to look objectively at our circumstances, at the way military technology is going and at what the government wants to achieve as a national strategy. Within that context, we need to develop an Australian military strategy. We have to recognise that the defence of Australia will be combined. One thing I criticised in my paper is the fact that a maritime strategy actually means you are going to interdict the enemy's lines of communication. We do not have that capability. I honestly do not foresee that we would have it north of the archipelago. We have to get real and realise that, if we are going to defend Australia, we have to do it within a combined scenario. We have to give priority to the most likely contingencies. What I am talking about here is not every contingency—not going to Afghanistan, not going to Iraq even—but those which are not discretionary.

We have an arc of instability—as it is being called more lately—out there and it goes right into the South Pacific. If something happens there and Australian nationals are under threat, it is not discretionary. You are going to have to provide a response. We do not have the capability to do that adequately at the moment because of the priorities within that maritime strategy. Again, as an intellectual straightjacket it is not describing what is actually going to happen.

I believe, as you do that, that you have to be aware that the centre of gravity for government, for any government in the Western world, is casualties. You have to make sure that you can mount an operation without a high level of casualties. That means the force has to have force

protection in the form of hard defence, armour and that sort of thing. It also needs air warfare capable destroyers. It needs force protection so you do not have casualties.

As we experienced in Mogadishu, the Americans had 17 people killed and one of them dragged through the street. All of a sudden, they are out. This is the risk for you. You must make sure there is enough capability and the right capability to protect your centre of gravity, which is casualties. It must allow for the fact that a lot of what we do today is driven by the CNN factor. There will be humanitarian operations—more things like Timor—in the future, which will not be discretionary. We will have to go and do them. The strategy must allow for that.

We hear talk of niche capabilities. I have been arguing this for years. It is a great frustration to me. If we are going to do this within budget, or within a slightly increased budget, then we need to acknowledge that what we are talking about in niche capabilities are capabilities in each service which can be provided safely to a high level of conflict and which, first of all, provide back, in defence of Australia—if we ever had to do it—a force multiplier.

I will give you an example: AEWC. If I was selecting for Air Force what its niche capability should be, it would be AEWC. AEWC is a force multiplier. We could allow our FA18s to get older and it would not matter because we have multiplied their effectiveness by the AEWC. At the same time, an AEWC is absolutely necessary to the Americans. They are always short of them and they will always need one. They would see that as a very important contribution to any coalition force, and you would get lots of points as a government. Of course, that is what we are after, let us face it.

So we need these niche capabilities. In Navy it is harder for me to say what it should be. There are a number of options. It could be air warfare destroyers. I would say that is an important one. It could be the submarines. It could be a landing platform for a helicopter—something with a flat top from which you can launch helicopters. Again, what you are looking at here is something which is useful in the real contingencies you have to face; is valuable to an ally in a coalition force; and, at the same time, provides a force multiplier capability if you ever have to defend Australia.

We should be identifying one niche capability. A senior Air Force officer said to me, 'No, everything is right. We have a niche capability in every one of our capabilities.' That just proves everything is wrong. If we have an air force which has a niche capability right across the board and we have an army which has one special force which we use and use and use, then the balance within our force structure is completely wrong. I would encourage you to have a serious look at niche capability along those lines.

The real problem for government—and something I would be happy to discuss—is that, if we acknowledge, as I believe that paper does, that our defence strategy has been seriously flawed over the last 30 years, and that it has not placed us well at all, we have to look at the system which has produced that defence strategy. As someone within the Department of Defence during the writing of the Defence white paper, as a director-general of land development, as a person who just conducted a trial into how the Army should fight in the future, using 6,000 man years and hundreds of millions of dollars, I can tell you that I was never consulted. We had a writing team which had not one single military officer on it. The smokescreen about the degree of consultation done in that white paper is a nonsense. This white paper was written in isolation by people who had no wish to take on board military experience or knowledge.

Mr PRICE—Which one are you talking about?

Brig. Wallace—That is the 2000 white paper. I hope the committee will look at fixing the system that produces flawed strategy. In the future, I suggest to you, as government, that you will have things happening—in the South Pacific area in particular—which will not be discretionary. Unless you have the capabilities on hand, you are going to be embarrassed. To have those capabilities on hand will come only from professional military advice. I suggest that professional military advice be pre-eminent in the derivation of strategy. I suggest further—and I am open to discussion on it—that the real problem here is the diarchy. We must get rid of the diarchy.

If there is any department in government which should have a clear chain of command, it should be Defence, yet we have two people in charge. Nobody is responsible, and this is represented all down through the system. It is a nonsense. If you are going to get rid of this and get strategy which is useful to you and not have, as we had today, something which is now saying, 'The world has changed; the wall came down'—this is 2003, fellas!—then we have got to really change the system that is producing strategy.

I thank you very much for allowing me to speak. I will just say one final thing. I am not suggesting a shopping list for defence. I believe that if our strategy is right, if it contains a minimum of looseness in it and is looking at what we are likely to do, we can get a lot more value for money out of our current budget. I do believe it needs to be increased, but it is a matter of strategy allowing the Defence Force or the ADF to ascertain priorities correctly. Thanks, Mr Chairman.

CHAIR—Brigadier Wallace, thank you very much for your presentation today. I am sure that you have stimulated more than a few questions here. I am going to ask Senator Sandy Macdonald to lead on.

Senator SANDY MACDONALD—Thank you, Mr Chair. Brigadier, you spoke a couple of times about a non-discretionary response in the arc of instability. Could you give some examples of where the ADF would presently fail in responding to your so-called non-discretionary—

Brig. Wallace—As Dr Dupont has said, these things are slowly being redressed, but they are being redressed very slowly because they take a long time to redress. I suggest that, if we were to have a problem in West Papua of the same magnitude that we had in East Timor, it would be a much bigger military problem. If we were stretched in East Timor, even with the few changes that have been made, we would be more stretched in West Irian. I suggest to you that the world press and America's expectation of Australia—as was the case in Timor—would soon make that something which is not discretionary to the government. I suggest that is one.

I suggest that there are all sorts of circumstances around our region, particularly in the Solomons, where we know we are on the brink. If something suddenly collapses there, we need to be able to go in and look after Australian nationals, in the first instance, and also, I would imagine, restore order in the way we did in Timor, to stop the loss of life—of anyone's life.

Senator SANDY MACDONALD—Would we not be able to do that in the Solomons?

Brig. Wallace—I think you would have a lot of trouble. It depends where your things are. At the moment you have them all heading over to the Middle East, so you are going to have problems.

Senator SANDY MACDONALD—What about some other examples?

Brig. Wallace—Papua New Guinea is another. We are surrounded by examples, and this is not new. In 1988 I stood before the SAS Regiment, held up the 1987 white paper and said, 'Well, fellas, this is useless. If we are ready to do this, we are ready to do nothing that government is going to expect us to do.' I said, 'What we have got to be ready for'—at that stage, 1988—' is Timor, West Papua, Papua New Guinea and the islands in the Pacific, for the breakdown of government authority there.' I would say that my opinion at that time has been borne out.

Senator SANDY MACDONALD—Listening to you, especially when you are talking about niche capability, it sounded to me rather as if you were in favour of a branch office mentality for the ADF. You talk about inability to unilaterally defend Australia. You make it very clear that anything substantial we do would be done in cooperation with the United States, and you make the point about the importance of the close alliance with the US. When you talked about niche capabilities, it sounded to me as though you are very keen on the branch office approach. What would be your response to that?

Brig. Wallace—You are saying there that we are a branch office for America, sort of thing?

Senator SANDY MACDONALD—Perhaps you were encouraging that.

Brig. Wallace—No, not at all. I am suggesting, though, that the government is right to expect to have options when things like Iraq come up, when things like Afghanistan come up. It should expect of its Defence Force that it has options. That is a reality, and burying our head in the sand of a Dibb philosophy in north Australia does not remove that reality. I would expect that the government would expect those capabilities. What it would want, though, is that those capabilities are able to be employed safely. I would suggest, for instance, that, if we were to have war on the Korean Peninsula, for a start it would be over pretty quickly, so there would be a lot of things you would not have time to send there, maybe. Secondly, it will be an environment where the government might say, 'I don't know if we want to send land forces there, so we might not send special forces. Let us send some ships which can come and go, or send Air Force, which could be in and out more safely.'

Government has to have all those options. It is no good putting all its eggs into one basket. That is what I am suggesting. That does not mean you are a branch office. At the same time, it would need to be made very clear to America that that is not the philosophy we are following here. But where we agree, where we have shared strategic interest in what is going on, we would develop those capabilities.

Senator SANDY MACDONALD—You might say that we might have those special capabilities vis-à-vis America, and I might argue we should perhaps encourage New Zealand to have those special niche capabilities vis-à-vis Australia.

Brig. Wallace—But there is a huge difference here. There would be no way in the world that America would depend on our niche capabilities, just by virtue of scale. In the case of New Zealand, that would depend on how the question was put. I suggest we would not want—in the same way—to depend on New Zealand's niche capabilities, or depend on them for niche capabilities, either way.

Senator SANDY MACDONALD—One of the things you say is this:

Had our force structure and capability mix been driven by more likely contingencies for the ADF, we would not have seen the force placed at such great risk in Timor.

I am under the misapprehension—and please put me right—that our commitment to East Timor was probably the best trained and the best resourced troops we have ever sent overseas and that it was a magnificent effort. Put me right.

Brig. Wallace—No, it was a magnificent effort. It was a magnificent effort in that the people on the ground, once again, pulled the government out of trouble. Let me say that this is both sides of government. This is 20 years of defence strategy we are talking about. What we had were very well trained, very professional people. But we deployed everything but one battalion over to Timor. What a nonsense. Can anyone tell me that that seems reasonable? No country would do that.

Senator SANDY MACDONALD—But is not warfare all about only getting out of jail?

Brig. Wallace—No, it is not. It is particularly not, I would think, for government. This is not a game of cricket. If you lose, you are in big trouble—in terms of casualties for a start. As a soldier, that is my concern. Also, our concern—which is bred in us as servicemen—is that you have a responsibility to government to achieve the end. Government would not have wanted to be embarrassed. Look at the kudos we got from the fact that we just made East Timor. If we had not made it, what would have been the reverse effect? It is not a game of cricket. Unfortunately, too often it is treated as a game of cricket, where you can just lose or just win. It simply is not; this is conflict.

Senator SANDY MACDONALD—I do not think the government—this government, for argument's sake, and I am being entirely generic because I suspect it would apply for any government—underestimated the political and military risk of taking the decision that it did. It was an immensely brave decision to take, and we did the right thing. It was effectively carried out.

Brig. Wallace—Yes, but let me tell you that I was the director-general of land development during that time and I was responsible for trying to get all the things that we did not have. Let me tell you that we did not have very simple things like the ability to store and distribute water. This is a nonsense. Why didn't we have it? We did not have it because the Dibb philosophy, which had placed Army last in priority for everything, had said, 'No, you are only going to operate in north Australia, so you can get all that stuff from the local store.' I am not being facetious there. That is the philosophy in place: we did not need to be able to store water because we were going to get it from Woolworths.

Senator SANDY MACDONALD—How long before the deployment in East Timor did it become patently obvious that it was a contingency that might have to be met? How long was the intensive build-up of preparedness taking place?

Brig. Wallace—There was some preparation and belief that this would be necessary quite a few months before—I think as early as about March, and we went in October. There was some expectation that we would go there. You will not always have that, for a start. In that time, though, there was not a lot of stuff purchased and we were almost literally not in a position to start purchasing the shortfalls until they went. In fact, if I remember rightly, the list went to government virtually as the decision was being made to go.

Even at that point we had bureaucrats saying, for instance, 'Well, what do you need road-making equipment for?' 'Because I am a brigadier who just happens to have commanded the mechanised brigade in Darwin, which is tropical, and I happen to know these things.' It was scrubbed off the list. It was scrubbed off the list because people who do not understand tactics and operations cannot understand strategic decisions like that. I do not know if you remember it, but the first person to be killed in Timor was killed when his truck rolled off the road, because in those areas they do not have the infrastructure to take heavy military traffic for a long time.

We have to get military advice re-established correctly within this process. We have to have strategy which recognises we are going to do these things. They are the sorts of consequences that result. These are the sorts of things that in reality a military operation relies on for success. It is whether or not you can get over that river that makes the difference between a failed operation and one that you actually complete successfully. It is whether or not you can give your people water. In the profession, we say that amateurs talk about operations. That is the problem for the people who put together our strategic guidance. It is all talking about operations; it is all big boys stuff. Professionals talk about logistics; you cannot mount operations unless you have a logistics tail behind and you are expert at logistics. Unfortunately, logistics in the Army was cut to pieces because of the defence strategy that we were working to.

Senator JOHNSTON—I am interested to know what you did about the water problem.

Brig. Wallace—Initially they were flying in bottled water in C130s. I do not know if this is fact, but I was told that that was costing $1 million a month. That is a nonsense. It means that transport which should be taken up with bringing in ammunition—if it had been a high-intensity conflict, which it could have been—bringing in reinforcements or bringing in extra troops instead has to be used for bringing in water. In the longer term, we set out to buy a lot of equipment, which we did purchase in the end, which allowed us to have mobile tankers to move water to and from. We had to buy a series of pipelines to pipe water from ships into the shore and store it there, and then move it and store it again down at the local level. If I remember rightly, we also purchased some desalination kits. I think I am right in saying that. I would not be 100 per cent sure about that one.

Senator JOHNSTON—You make some interesting points about the high-tech, high-expense end platforms. When I look at what you have suggested as being the type of capabilities that we need to give priority to, there are a fair few of those high-end, high-cost platforms involved. For instance, the AEWC is not exactly cheap on any man's assessment. Airborne refuelling is not cheap either, nor are the air warfare destroyers. When you say, 'We need to guard our entry into high technology, expensive platforms,' we have an Army, a Navy and an Air Force. If we are

going to have anything that measures up to those descriptions, don't we have an obligation, on one side of the ledger, to maintain them conventionally in the conventional climate? I am interested to hear you say that we should come back to doing things on a grassroots level, if you do not mind me saying that.

Brig. Wallace—No. Senator, what I am acknowledging here is that, short of an actual war—and an actual war where the Australian homeland is threatened—Defence will never be allocated the amount of funding that it might need to do what you are suggesting. The reality is that, to provide for platforms that are shooter platforms in a networked environment—which is what a conventional warfare situation demands these days—you have to work in a network. The Americans quite honestly say to people, 'Look, if you can't work in that network environment, don't even come. You're more danger than you're worth.' We have to acknowledge that and realise that it is very expensive to operate in that environment.

Certainly it goes well beyond the expense of AEWCs. What we have to do is say, 'Okay, let's take a sensible approach to this.' We have to acknowledge that government must have options to participate in Iraq and Afghanistan if it wants to, if it chooses to—it should have options to do that—and, therefore, pick niche capabilities which we accept will be at that level and will also provide this force multiplier effect on the rest of the Defence Force we have back there. We still keep at a level of capability which can go and deal with all these other things that are likely to happen in the region but we acknowledge that we just do not have the defence budget to bring those up to the level where they can defend Australia.

As I look at the strategic environment, I honestly cannot see that we are going to have to defend Australia in a conventional sense until something goes tragically wrong in China, which hopefully it will not. Therefore, we have a lot of years.

Senator JOHNSTON—The level that is acceptable is a bit grey, isn't it? This is the debate.

Brig. Wallace—Exactly. I do not envy government its decision. The important thing is that government has to make that decision, and it has to make it with full integrity, realising that anything it does not give its soldiers, sailors and airmen is really a lack of integrity when it then expects them to go and apply.

Senator JOHNSTON—I take it you are referring to a number of ship systems, the number of subs, the JSF, et cetera. Aren't they advanced on the basis that they are not manpower intensive? They are certainly expensive, but the alternative is to put people in harm's way in ever greater numbers. Is that not one of the underlying reasons? Which of these systems are you not happy with? Which would you do away with? Where do we end up with the niche type approach?

Brig. Wallace—I do not think this is a matter of 'Put people in because they're cheaper.' People are quite expensive these days. We have to make sure that we are looking at this sensibly. If you ask me what capabilities there should be, I would personally not be developing a joint strike fighter at the moment, because we have just got the AEWC. If we had taken the decision when we could have—it might be too late now—to extend the life of the F18, the fact that we had that AEWC would have multiplied the effectiveness of those fighters, albeit that they were getting older. And I believe that that would have still maintained our superiority in the region for the foreseeable future.

The problem at the moment is that, once you tie into something like a joint strike fighter—the gateway—you enter into this thing and then you are tied into an incredible expense thereafter. My concern with the joint strike fighter—this is my opinion, but I know it is shared by a number of DSTO scientists—is that a real analysis of the air environment will tell you that the future air battle is not likely to be armed aircraft fighting each other. It is likely to be missiles fighting each other. These kids who are now on PlayStation and all the rest of it will be actually sitting in an AEWC; they will be firing missiles from a 747 which is just loaded with these things. And, because they can pull a lot more G than an aircraft with a man in it or a man can withstand, they will be a lot more manoeuvrable. To me, the problem with the joint strike fighter is that we are going with a really heavy commitment which is going to blow the defence budget. We will end up with a joint strike fighter at the end of the man fighter period when everyone else is going into a new era which is looking at missiles. That is my opinion.

Senator JOHNSTON—Hasn't that been the history of our success in some respects—the F111s and a host of platforms. We have invested late, we have turned them into something completely different from what they were originally intended to be and we have achieved huge mileage out of it.

Brig. Wallace—Remember that our F111s have not been tested.

Senator JOHNSTON—There are a whole host of platforms that fit into that category.

Brig. Wallace—Yes, absolutely. What I am saying is that, when you take this joint strike fighter into the post 2020 world, which I believe will be a quite different world in terms of aerial combat, you will suddenly find that, with all the best enhancement—and you will have to enhance it—a better decision would have been 'Let's wait and see where all this goes. Let's accept the fact we have a niche capability in the AEWC. Let's extend the life of the FA18 and let's see in 10 years time whether what I'm saying is right or whether we are going to have more life out of manned aircraft.' That would have delayed the time into service of this thing, of course, but I would suggest a proper assessment of our strategic environment would say we could afford to do that.

Senator JOHNSTON—You said that the systemic strategic development problems ended up with a nonsense strategy and you talked about the 2000 white paper. Just take us through exactly the process that happened. Who drives this process? How does it happen that there is no direct military input into the formulation of these strategies? I think this is very crucial.

Brig. Wallace—It is, I agree. I am glad you are taking it up. Let me look at this last Defence white paper. I came into defence headquarters having been running 'How will we fight in the 21st century as the Army?'—at great expense to the taxpayer—with 6,000 man years of involvement in this thing. I sat in the job which was director-general of land development. Shortly after that, the word was out: 'We are going to write a new Defence white paper.' I expected that we would pull together a writing team which would include defence expertise. I was sadly disappointed.

I therefore went to the Vice Chief of the Defence Force at the time and said to him, 'Surely we should be more proactive in this.' It had come down through the secretary's area to the deputy secretary of strategy, who was writing it at the time, Hugh White. He said, 'Yes, you are right.' I said, 'At least we should have a briefing to start this process.' This was in about June of

the year that the white paper came out. You have to remember that it had already been in progress for about six months at that stage.

He said, 'You arrange it.' I went back to try to arrange it. I rang Hugh White's offsider, who was a director-general level person. He said, 'I understand what you and the Vice Chief of the Defence Force want, but I do not think Hugh White would want to brief defence one-stars.' It is amazing stuff. I told the Vice Chief of Defence Force that. He went back and caused it to happen, which was good. At that meeting, it was explained to us very begrudgingly what the process would be. We said, 'We need to have input into this process.' Very begrudgingly, again, we were told, 'All right, you can write submissions.' They had to be done by a certain time.' We did that but I was never questioned on my submission. No-one ever came to me. I would have been one of the three people you would expect to have this discussed with. There was just nothing.

At the same time, in the area of military strategy within defence headquarters, a series of war games were being done. These war games were initiated by people within the military strategy area themselves, because they saw that they needed to do these to contribute to the white paper. They were very expensive war games. They were conducted using computerised methods. They were very extensive, involving people from all three services. Those results never got anywhere, because they were never called upon.

I was then advised by my boss—and this is very close now; this is in August, and the paper came out in about October—that there was a meeting being held to brief senior officers, in particular the deputy chiefs of the services and the Vice Chief of the Defence Force on the Defence white paper. I said, 'Have you got any papers on it?' He said, 'No, we haven't been given any papers.' I said, 'You are going to a briefing on the Defence white paper, the most important document in defence for us, and we haven't got any documents.' He said, 'No.' I said, 'Has the Vice Chief of the Defence Force got them?' He said, 'No.'

I saw him the next morning in the car park and I said, 'Please just confirm for me what you said to me yesterday.' He said, 'Yes, in fact, the Vice Chief of the Defence Force said, "No, I haven't got anything on it. Do you know what it's about?"' This was just nonsense. I went to the meeting and sat in the back. We were briefed on what the structure of the Defence Force would be by pimply-faced kids.

The Vice Chief of the Defence Force was sitting in the corner. This is the Vice Chief of the Defence Force who has since said he felt like a clapping seal. I agree. Every senior officer would feel like a clapping seal in that place. Some of the questions were aired in that particular meeting, which was the last chance for this to be discussed before it went to the Chiefs of Staff Committee and then on to the National Security Committee of cabinet—remembering that it had been back and forth to the National Security Committee of cabinet. Various bits and pieces of it had been thrown down to people, but the bureaucratic process is such that it is thrown down more to make sure that the authors are not embarrassed by saying something really stupid. There were some absolutely inane questions. They were questions that would have turned the stomach of a third-year ADFA cadet in terms of the level of professional knowledge that it exhibited. All the time the Vice Chief of the Defence Force sat in the corner. I suppose he was not wanting to go to the table, having been left out of all this, so he sat in the corner. That is what happens.

Very cleverly, in a bureaucratic way, to cover the fact that this was going on, what was happening was that there were groups going around the country holding public meetings. Can someone tell me that the defence strategy of a nation is going to be decided in talkfests around the country? I ran one of these talkfests in defence, because my boss at the time was not available. I had all the people there, as we were told to do. These people came in and the discussion started. I had two ladies who turned up to take notes. I thought they were going to record it or something, or they were able to take shorthand. No, they were sitting there taking it in manuscript. This is just unbelievable stuff.

My people worked closely with a particular area of civilian bureaucracy there. I had one fellow from within that bureaucracy—we had a good relationship with him—who came in and said to my fellows, 'I am really embarrassed to tell you this, but I've just been asked to go away and design the Defence Force in two hours, and I was told I'm not allowed to talk to any military people.' This went into the white paper. I am not saying that is how it ended up, but this went in—two hours, interview, sent away for another hour and a half to jig it a bit. This bureaucratic system we have within Defence—the isolation of defence professionalism and professional advice within it—has to be fixed. It certainly was the straw that broke the camel's back for me.

I have a strong Christian faith and I happen to believe that life is not the rehearsal. I have been, in everything that I have done, wanting to push it forward, wanting to advance things. I spent two years in Darwin running a trial directly relevant to where we should fight in the future, and therefore it was absolutely relevant to the Defence white paper. There was no interview, no discussion, nothing. This is despite me making advances; this is despite me wanting people at the highest level of Defence to take hold of it and correct it.

It is an issue that has to be fixed. It will not be fixed until we fix the diarchy and until we move strategy. So much of a nonsense is this that we had military operations reporting to the deputy secretary for strategy, the civilian side of operations, for the last 10 months or so, I believe. It has just been put back again. What does that say about the relative role of the military and the civil side of defence?

I do not want you to think for a moment that I do not appreciate the defence bureaucracy. I do. There are roles in there—the housekeeping roles, which are absolutely essential, finance and procurement. But strategy is not something that you can just be dubbed on the shoulder with and told you are a strategist. The history of the deformulation of defence strategy, as outlined in that paper you have, demonstrates that. That is an independent critique of it. I would really ask the committee to look at that. Thank you.

Mr PRICE—I do not want to get into the diarchy, but if that was the process adopted—and I have no reason to doubt it—where was the Chief of the Defence Force and where was the Vice Chief of the Defence Force?

Brig. Wallace—That is why, as a brigadier, I went and banged on people's desks.

Mr PRICE—But ultimately, if you are making what I think is a very serious criticism, this is not at ministerial direction.

Brig. Wallace—No.

Mr PRICE—It is not at government direction.

Brig. Wallace—No.

Mr PRICE—If there is an inertia, it is in the uniform.

Brig. Wallace—That is definitely right, but you have to remember that we, unfortunately, are the result of a system that has been running for 30 years. Over that 30 years, defence people going into these positions have been educated that the way to achieve this is to put up with it all, but to see what little wins you can have on the side. We can see where that gets you; it gets you nowhere. You have a defence strategy and a force structure that is not relevant to the world you live in. This is the problem; it has been going for so long.

Mr PRICE—The other point that I would make to you is that I doubt there was ever a government decision of either persuasion that restricted your ambitions on commandos.

Brig. Wallace—No, but my view, that desire by Army—and it was not just my view; Army agreed to this and proposed to put it in—could not be put in because defence strategy had Army at the bottom of the pile. Defence strategy said, 'You are only to be worried about things on the continent of Australia.' That was on the justification that-although I must say I did not believe it; I have given you the reasons why we wanted to create it—it was for striking into the archipelago in case we had a defence of Australia problem. That became a very low priority, so you were not able to raise the manpower because Army did not have the manpower—because it is sitting at the bottom of the pile—to populate this. Instead of being ready for September 11, we had to raise it after September 11.

Mr PRICE—Can I ask an unfair question?

Brig. Wallace—Yes.

Mr PRICE—You paint, in a sense, a terrible picture about rigidity in terms of force structure and force determinants. To what extent is that the reality, compared to an easy pass off—'Well, we didn't get that. I lost that battle and here's the excuse. It's defence of Australia or it's a government decision.'

Brig. Wallace—I think I can illustrate that through movements like mine to get the commando regiment established. I think that proves that we saw—and the great majority of military people in Defence saw—the type of conflict that we had to be ready for. The reason for our association with the Americans and everyone else is that we see where their experimentation is taking military force and where they believe, dragging that forward, conflict is going. We spend our professional lives doing this. I am not having a cooperation-out and saying, 'We haven't got the stuff ready and it was everyone else's fault'—not at all.

I can show you that through the development of SAS. I do not want to throw myself up here; I do not mean to do that at all, because people have taken SAS well beyond where I ever put it. If I look at the region, at a time when SAS was under the defence policy that we had, the defence strategy was constrained to sitting on hills in north Australia, looking out to sea for people landing. I managed to convince the Chief of the Defence Force that the real threat was going to be terrorism, not in Australia but overseas, and that we had to develop contacts with

people overseas. Thankfully, he acknowledged that and we went and did it. That has all been borne out. Every bit of reality you had to fight for, and usually you had to justify, not for the reason that you wanted the force structure—actually saw it being used—but within this fantastic scenario that defence strategy was based on.

Mr PRICE—You talked about your involvement in the trials for restructuring of the Army. What happened as a result of Army 21 restructuring the Army?

Brig. Wallace—Nothing.

Mr PRICE—To what extent has Army changed, and should they change?

Brig. Wallace—The trials showed that as a small force we can achieve a great multiplier effect by the application of particular technologies. It acknowledged that we are always going to work in a restricted budget and, therefore, we could not go holus-bolus and say we were going to get the whole lot. It also reinforced the fact that technology does not overcome every problem. In the north of Australia, for instance, people tend to think of it as sparse and think that surveillance is good so you can cut down the number of forces you need, because each piece of the force can see further. That is a nonsense. The reality is that, if you put one tree every 50 metres and you look out through one tree every 50 metres, you do not see very far, even though it is looking at one bush every 50 metres.

The assumptions that a lot of decisions were based on were proven to be incorrect. In many instances, technology would not replace people on the ground. It would particularly not replace people on the ground for things like contingencies into Timor, contingencies into the south-west Pacific, or the sorts of things that I have described. But, to answer your question, yes, a lot of that has now been drawn forward into the current planning for military operations in the littoral environment—the MOLE concept. It could have gone into the Defence white paper.

CHAIR—Thank you very much for that. I think we could probably continue on for some time this afternoon, because there is a lot of interest. If you have been asked to provide any additional material, would you please forward that to the secretary. You will, of course, be sent a copy of the transcript of your evidence this afternoon, to which you can make corrections of grammar and of fact. As Hansard may wish to check some details concerning your evidence, would you please check with the reporters before you leave. I thank you for your submission, your evidence this afternoon and also your time.

Brig. Wallace—Thanks, Mr Chairman.

[3.30 p.m.]

ANDERSON, Mr Matthew John, Acting Director, Papua New Guinea Section, Department of Foreign Affairs and Trade

DOYLE, Mr Peter Leo, Acting Assistant Secretary, International Organisations Branch, Department of Foreign Affairs and Trade

ENGEL, Dr David Graham, Director, Indonesia Section, South and South East Asia Division, Department of Foreign Affairs and Trade

FRENCH, Dr Gregory Alan, Acting Legal Adviser, Department of Foreign Affairs and Trade

LADE, Mr Graeme, Director, Philippines, Singapore and Malaysia Section, Department of Foreign Affairs and Trade

LYNCH, Mr Bernard Francis, Director, Defence Policy and Liaison Section, International Security Division, Department of Foreign Affairs and Trade

ROACH, Mr Jeff, Director, Consular Information and Crisis Management Section, Department of Foreign Affairs and Trade

STUART, Mr David Gordon, Assistant Secretary, Strategic Affairs Branch, Department of Foreign Affairs and Trade

CHAIR—We will move to the Department of Foreign Affairs and Trade. I welcome representatives of that department to this afternoon's hearing. Although the subcommittee does not require you to give evidence on oath, I would advise that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective houses. We have received a written submission to this inquiry from the department. Do you wish to present any additional submissions or make an opening statement to the committee?

Mr Stuart—No, thank you, Mr Chairman.

CHAIR—No additional submissions?

Mr Stuart—No.

CHAIR—Would you like to make an opening statement?

Mr Stuart—No. I think we can cut to the chase.

CHAIR—On page viii of *Advancing the national interest*, it states that Australia's interests are global in scope and not solely defined by geography. If geography does not define

Australia's national interest, why does Australia's most important defence objective remain the defence of Australia? Would someone like to answer that question, please.

Mr Stuart—I think it says it does not solely define it. Obviously our geography is still an important strategic factor. I think what is argued there is that it is not as compelling as it once was, now we are faced with threats like international terrorism or, indeed, proliferation of weapons of mass destruction, especially in the hands of rogue states and potentially in the hands of terrorists. That factor of distance does not provide us the protection it once did. However, it still remains a significant factor.

CHAIR—Similarly, on page ix of *Advancing the national interest*, it states that 9/11 and the Bali bombings starkly demonstrated that threats to Australia's security can be global as well as regional. Again, how is this reconciled with the key military strategy of the defence of Australia?

Mr Stuart—We submitted the department's submission, of course, before either the Foreign Affairs and Trade policy white paper was released—well before it—or indeed before today's release of the Defence Strategic Review. I think the three principal tasks identified in the 2000 Defence white paper remain legitimate—the defence of Australia, the ability to act in our immediate region, as our interests require, and the further task of contributing to coalition operations further afield. Perhaps our appreciation of the weight between those tasks might have shifted a little, particularly in light of the terrorist threat and the Bali attack last year.

CHAIR—Australia's maritime strategy has been about sea denial versus control of those seas. From a Foreign Affairs and Trade point of view, the trading routes to our north and to the north-west are very important trade routes for us. Our whole approach has been the denial of access in a military sense if we were under threat, rather than the control of those areas. Do you have a comment as to whether it should be extended beyond the denial of a threat rather than just having the control or the capacity to control?

Mr Stuart—Given DFAT's role in this, I certainly do not want to be drawn into a discussion of a more strictly military analysis, but what I could say—and this goes back to your first two questions—is that the global environment—that is, what is going on in the world as a whole—does us affect us, clearly. There are both positive and negative aspects of that. The negative aspects include the shape and weight of threats like terrorism and WMD, but there are positive aspects, too.

We have argued—it is apparent in both the Foreign Affairs and Trade policy white paper and in the Defence Strategic Review—that one of the changing characteristics is the extent of US pre-eminence in global affairs. In part as a consequence of that, there is, if anything, a more benign relationship between major powers, and that is affecting our global environment. US-China relations, for example, are rather more positive than they were before September 11; US-Russian relations are similarly more positive, notwithstanding some differences on how to proceed in Iraq. Taken globally, they have improved. One could draw this further, looking into the role of players like Japan, and even India. My point here is that these global tendencies do affect our environment. To that extent, our sense of the possibility of a direct attack on Australia or on our interests in commercial routes is that that environment is probably a little more positive, but that is to be offset with the other threats I have already mentioned and the

uncertainties that surround some of those threats and the fact that we are dealing now with significant non-state actors, whose intentions can be extremely difficult to ascertain.

CHAIR—Given that our interests in foreign affairs and trade are global, should that then be complemented by an interest in our military strategy to a more global strategy rather than just a regional defence strategy?

Mr Stuart—I believe it already is. As I said, the three principal tasks of the Defence white paper—which, together with some tasks within Australia, are the core of the role of our defence organisation—already include assisting coalition operations. As we set out in our submission, we have a long record of participation in, for example, UN operations. Indeed, we have a long record of participation in other coalition operations, such as the US-led operation in Somalia that preceded UNOSOM, and the Sinai MFO operation, which we are still involved in.

CHAIR—The map here in today's release probably demonstrates that. It is the global reach of our military involvement in operations outside of our own region, including, of course, our own region. Perhaps we have some questions from senators.

Senator JOHNSTON—Mr Stuart, recently the loss of life on 9/11 in New York, and in Bali and Afghanistan, was described as merely collateral. I am wondering whether we ascribe to that view in the department and, if we do not, what are we doing about changing the regional perspective in that regard. That was uttered by a regional leader of some very great importance to Australia, and that view is widespread in some parts of the region. What are we doing about that?

Mr Stuart—I will ask one of my colleagues. Mr Lade from the South East Asia Division is better placed to answer that than me.

Mr Lade—When asked by the press to comment on Dr Mahathir's remarks, the Prime Minister indicated that it was not worth commenting and not productive commenting on everything that Dr Mahathir has to say. I would not wish to comment further. It has been standard Australian government practice, in recent years, not to respond to comments that Dr Mahathir makes. Generally, you have to look at the context in which he makes these remarks. It is not productive, therefore, to comment in a public sense.

Senator JOHNSTON—Did we have anybody at the conference?

Mr Lade—Yes. The Australian High Commissioner to Malaysia is attending the non-aligned meeting as an observer.

Senator JOHNSTON—Does he indicate how widely and well received that comment was?

Mr Lade—He has not as yet. The conference ran on Monday and Tuesday. We have not yet received a report from Kuala Lumpur.

Senator JOHNSTON—It makes life pretty difficult for us if we have a view of the victims of those three events that I have talked about and if that view is widespread. I do not want to

substantiate or give any legitimacy to the remarks, but surely you can tell us whether you have a perception as to whether that type of opinion has any currency in our region.

Mr Lade—Let me make two comments. The first one is that, as the Prime Minister indicated, the fact that he was not prepared to comment on Dr Mahathir's remarks did not reflect on his concerns about the loss of life in Bali and on 11 September. In relation to the question of how widespread Dr Mahathir's views may be—

Senator JOHNSTON—Or a view of that nature.

Mr Lade—At this stage—

Senator JOHNSTON—Senator Macdonald raises the point that with the non-aligned movement there might be a lot of similarities in those outlooks. What are we doing about it?

Mr Lade—I am not in a position to comment on the non-aligned movement. As yet, I have not seen the communiques that were being issued. I understand the non-aligned movement was going to be producing statements on Iraq and Korea. I have not seen the text of those as yet. I am not sure if they have been published as yet.

Mr Stuart—I can add a little here. Some of the texts are still being negotiated. I do not think they are going to reflect that sort of language at all. Perhaps, to answer your question with a question, I wonder how the Indonesian government feels about it. Australia lost a lot of people in that bombing, but Indonesia lost even more. I do not think they would be at all happy having those losses regarded as 'collateral'.

Senator JOHNSTON—Surely it is an opportunity for us to talk to the Indonesians about that comment. I would have thought it opened a valuable door and that we are presented with an opportunity, on a diplomatic basis, to get to the Indonesians and say, 'Look, we don't think that utterance is accurate. We empathise with you and you have our condolences for that type of throwaway, ridiculous line.'

Mr Stuart—Senator, that is a very understandable reaction. The Prime Minister, as he put it, feels that we should not dignify some of these comments by a response. That is an option you can take. I do not think others have risen to it either. I might ask Mr Engel, from our Indonesia Section, if he can add anything that he knows about from the Indonesian press since the comments were made. We are gradually expanding our numbers up here.

Dr Engel—Unfortunately, I have not seen in the Indonesian media today any remarks that might indicate an Indonesian position on that. I am sorry, I cannot add anything further to that.

Mr Stuart—We have a very good service looking at Indonesian media and we will have a look and see if it has been picked up. We will have a look at that and get back to you.

CHAIR—That would be useful, thank you.

Mr PRICE—Firstly, thanks for the submission that was given to the committee. If we are looking at maritime strategy, it has a lot of tentacles. Our reach extends to Antarctica. To what

extent are the current treaty arrangements with Antarctica still appropriate and still holding? On the issue of piracy, to what extent is the international shipping trade protected and do we need to up that? Perhaps I could start with those couple of points.

Mr Stuart—Taking the last couple first, to some extent the Transport department takes a lead on some of these issues, although we can comment. Mr French will be able to comment on both those issues because there is at least some role for the department and, of course, for our foreign service in those issues. We did note, in our introductory comments in the submission, the huge zone that is now covered. Australia's EEZ is, if not the biggest, certainly one of the biggest in the world, simply by the nature of the fact that we have a long, very extended coastline. Other major littoral countries often have their EEZ simply in one direction; we have it facing all four ways.

Dr French—I will take those in order. With regard to Antarctica, we believe that the Antarctic Treaty System, which was established through negotiations from the mid-fifties onward, still serves Australia's national interests very well and works well in reducing tensions and promoting cooperation, particularly scientific cooperation, throughout the Antarctic region. There are regular meetings of the Antarctic Treaty consultative parties which occur once a year, basically. Below that there is a Committee for Environmental Protection, which is aimed at promoting the protection and preservation of the environment in Antarctica, pursuant to the Madrid protocol, negotiated in 1991. At the strategic level it is still serving its original purpose very well.

You would be aware that in the post World War II environment there were major issues about the possibility of even stationing nuclear weapons in the Antarctic region. There was the fear that at that time the major superpower rivalry would be transferred into the Antarctic environment as well. It was possible, in that context, through multilateral efforts, to defuse that, to declare that Antarctica was to be used primarily for scientific research purposes and that states were to cooperate in that and also to freeze any territorial or sovereign claims with regard to Antarctica. We see that these key underlying strategic interests are still being well served through the treaty and we see the work going on there as continuing to be done quite well.

We also have strong interests in protecting our living marine resources, both off the Australian Antarctic Territory and also on the sub-Antarctic islands of Heard Island and the McDonald Island. There we are particularly using one of the subsidiary organisations through the subsidiary treaty of the Convention on the Conservation of Antarctic Marine Living Resources, CCAMLR, to promote those interests.

It is a region and area where, in many contexts, you can only really achieve results through cooperation with states. Bearing in mind the distances involved and the areas involved, it is only really through working with all states that have surveillance and enforcement capacities in the region that we can hope to ensure, for example, that we can get a handle on illegal, unregulated and unreported fishing there.

Through CCAMLR—through developing, for example, trade documentation schemes, through ensuring we have good, solid scientific evidence to determine appropriate catch levels for fishing in that region—those things are coming together to promote our interests in that region. In a nutshell, the Antarctic Treaty System has been established and has evolved where

Australia has been recognised as playing a central role and it continues to serve the national interest very well.

Mr PRICE—I asked about piracy.

Dr French—Certainly. Piracy, as Mr Stuart mentioned, is primarily an issue dealt with in the transport portfolio in the Australian Maritime Safety Authority. From our perspective, we work to promote international cooperation against piracy. The International Maritime Organization is the overarching international organisation with authority in this area. It has worked hard to establish regional sensors, including in the South-East Asian region, to monitor piracy and to put forward recommendations as to how best to combat piracy. Also, through APEC, we are working together with countries in the region to look at more concrete methods of getting on top of piracy. This includes cooperation with regard to improving the capacity of coastal states in our region, providing advice and just getting information down.

For a long time there were large gaps in information about how many piracy incidents were occurring and where they were coming from. Through the mechanisms established by the International Maritime Organization and the regional offices under that, we now have a fairly good handle on the number of incidents and what kinds of incidents there are. We are then able to feed that into information which will benefit the coastal states—particularly in regard to improving their surveillance and enforcement capacity—and also benefit us in informing our dialogue with them to see if we can improve and ameliorate the situation. We have seen, in recent times, some improvement. There is still a very long way to go.

Mr PRICE—Isn't Japan interested in establishing more formal arrangements in our region in relation to piracy? Is Japan now providing some escorts for her merchant fleet in our region?

Dr French—I am not specifically familiar with the exact arrangements Japan has entered into. I would have to take that on notice, although I am sure my colleagues in AMSA would be able to help.

Mr PRICE—In where?

Dr French—The Australian Maritime Safety Authority—AMSA—within the transport portfolio. They are responsible for the day-to-day, direct dialogue with the IMO and with other countries.

Mr PRICE—I would be grateful if you took it on notice. In the 2000 white paper, for the first time we indicated that the ADF should be able to mount a brigade operation, and sustain it, and a concurrent battalion operation, and presumably sustain that. This indicated a higher level of activity, and certainly an involvement in Army in a way we had not anticipated. As far as the department was concerned, did you have a view about how that might be done, and are the existing security treaties and agreements sufficient, in your view, to accommodate this heightened activity?

Mr Stuart—Sorry, I did not quite catch the beginning of your question.

Mr PRICE—In the 2000 white paper, for the first time, it stipulated that Australia should be able to mount overseas a brigade level operation and a concurrent battalion level operation. Has

that caused the department to review any of the existing alliances and treaties? Clearly the alliance relationship we have with the Americans is very current. What are the other alliance relationships we have in the region, apart from the five powers?

Mr Stuart—It is really out of our purview to have a departmental view on a question of deploying the military—on a question of that nature. More generally, we obviously take a keen interest at the next level up, in capabilities and what options our defence organisation might offer the government. But, in terms of just how they tactically might be capable of doing, that is really not for DFAT.

However, your second question about the negotiation of treaties that might make this possible is something we are involved in. I am reasonably sure the answer is no, because most of these agreements are geographically specific—with other governments, obviously—where we anticipate or we have had activity. I stand to be qualified by Dr French, from the legal area, but I do not know of a functional agreement we might have struck because of that. We take a very keen interest in developments—for example, in the United Nations—to do with any treaties that affect the status of peacekeeping forces. For example, there is a proposed protocol to the UN convention on the safety of peacekeepers and other personnel, and we are keenly involved in that work in New York at present. Our goal there, of course, is to facilitate, to the extent possible, the participation of Australia in peacekeeping operations, including protection of our personnel. As you would know, we have taken a very close interest in the development of the International Criminal Court and its provisions which might affect peacekeepers. In terms of a specific geographically precise treaty or other legal agreement, I do not think we can answer that. Can you answer that?

Dr French—No.

Mr PRICE—Could you take it on notice for me.

Mr Stuart—We will have a look.

Mr PRICE—Have a look and tell us what they are—just a brief overview of them. We were criticised pretty heavily by the previous witness for Defence not looking forward and being constrained. In terms of you looking at a crystal ball, do you always see in our region that it will be a UN sanctioned operation that Australia will be involved in? Five or 10 years down the track do you think we will need regional arrangements allowing our partners in the region to deal with difficulties that may arise in a region and operate in a coalition?

Mr Stuart—There are a number of parts to your question.

Mr PRICE—I hope you are going to answer all parts.

Mr Stuart—The first one was about UN cover. I returned recently from a posting in New York.

Mr PRICE—So did the chairman, as a matter of fact.

Mr Stuart—Yes, I remember that. Everyone in this room would agree that Bougainville—which was a successful operation in which Australia played, and still plays, a central role in the peace monitoring group—of course does not have a UN mandate.

Mr PRICE—No.

Mr Stuart—The IPMT role in the Solomons—which is not a military operation but has some involvement from the ADF—I hope everyone here would agree has been a good thing in very difficult circumstances. Again, it does not have a UN mandate. It is a moot point whether we would have a UN mandate. I would say from my personal experience in New York—and having worked very closely with friends on the Security Council on East Timor matters—that certainly the membership of the UN Security Council is not going to welcome our taking all immediate regional issues to it. Their agenda is huge, and the tendency is towards looking for more from regional or subregional cooperation.

Perhaps we should not record this, but I would say quite a number of delegations to the Security Council could not find Bougainville on a map. We would be asked to work behind the scenes with them to make sure that we rectified that. There have been a couple of presidential statements approving the modest but useful role the UN plays in Bougainville, but it was never contemplated that the peace monitoring group would be mandated by the UN. It is not a UN operation. That is the answer to the first question.

On the question of regional arrangements, we have seen fairly effective regional and subregional cooperation in those situations I just mentioned, with New Zealand, with Fiji and with some other countries.

Mr PRICE—There are South Pacific examples, of course.

Mr Stuart—Yes. The Biketawa agreement from a couple of years ago has set out scope for further cooperation like that, bringing foreign ministers together more regularly. Again going back to my time in New York, there was a perception in the political areas of the UN secretariat there that the region was getting its act together to be able to deal with security threats. That is in the South Pacific.

To our immediate north and in the ASEAN Regional Forum we have worked very hard to make that as effective a security body as possible. I do not think we have any short-term expectations that one would be able to mount a peacekeeping operation through the ARF. That would be much more challenging. In terms of coalitions emerging for operations there, that would be like-minded countries cooperating, but the ARF as such does not provide a cover for mounting peace operations, and it certainly has no precedent for it.

Mr PRICE—I put this proposition to you. In the future it may be desirable that we do have a formalised system of dealing with this, and I accept what you are saying, that it is not possible now. But how does the committee test the effectiveness of the diplomatic dialogue that, in an emergency or in some development, would allow a coalition to form very quickly to deal with it?

Mr Stuart—How you would test what future system might work is really quite a difficult question.

Mr PRICE—No. I am saying that I am very comfortable with the idea of formalised arrangements. You are saying that in the short term that does not look like a realistic possibility. I accept that. In the absence of a highly formalised arrangement, how does the committee test the strength of our diplomatic relationships that would allow a coalition to readily form and be supported to deal with a regional problem, in the absence of a diplomatic solution?

Mr Stuart—It is a hard question. I think, really, only by reference to our recent experience. Were we able to do it when push came to shove in East Timor? We were, in that case. We needed to go through the UN because it was unthinkable that INTERFET could be created but through the UN, because of the nature of that operation and the circumstances. Effective solutions have been found, certainly in Bougainville. I think on balance one would say it has been effective. In the Solomons—

Mr PRICE—For the record, the Solomons asked for our military help and we said no. We have had an involvement. I think the jury is out about saying the involvement is now a total success. It is not that I wish it ill; I do not mean it that way. I am just saying I think it is a bit premature to put the Solomons on the success scoreboard.

Mr Stuart—Fair enough, yes. All I can say is that we look at recent examples. Have we been able to find solutions and, where necessary, mobilise legitimate action with a military role to help solve problems in our immediate region? My own opinion would be that, in general, yes, we have. I cannot give you an official view of the desirability in the long term of formal arrangements other than to say that Australia has consistently supported initiatives to strengthen regional cooperation, whether through the ARF or through the South Pacific Forum.

Mr PRICE—We have been through this arcane debate about whether it is the defence of Australia or whether it should be continental defence or something else. Clearly the government is now saying, 'It ain't just defence of Australia,' and we are going to be involved a lot more. When we talk about coalitions, it has tended to mean that it is far away and involves America or the United Nations or both. What has changed in the Department of Foreign Affairs and Trade? Is the government saying, in relation to our military activity, 'This is what our capacity has to be and this is what our expectations are'? To what extent is the department responding to that change?

Mr Stuart—The Defence Strategic Review released today is a whole-of-government document. In discussions with the Department of Defence and other departments and agencies over the last few months, we have certainly contributed vigorously, including updating that against events such as the Bali bombing that have required analysis. Some of the language used is slightly different, but the message about the changed nature of our strategic environment is the same in the recently released Foreign Affairs and Trade white paper and in the Strategic Review—that is, that we have a greater sense of threat from international terrorism and from proliferation of WMD. It is not a new threat, but the nature of that threat is evolving and taking a form which certainly affects Australia.

We are also noting, as I said before, that the trends are by no means all negative. The strong position of the US militarily, economically and politically in the world does bring some benefits for us, one of which is that we see greater stability in some major power relations. If we had seen a degeneration of relations between the US and China following, for example, the incident of the aeroplane that was seized at the beginning of 2001, our assessment now would be quite

different. But we did not; in fact, we have seen the opposite. The 11 September attacks and the war on terrorism have contributed to this. We see the US and China in a more cooperative relationship, which has implications for Australia.

To the extent that there is a nuanced shift in appreciation since the 2000 white paper, we agree with that. From that shift in appreciation will flow consideration of and decisions about capabilities. The DFAT portfolio interest is that the government have options—that the capabilities developed in our defence organisation give the government options, which include options that will meet our foreign policy needs and objectives. We certainly take an interest in the development of thinking on defence capability, but we would not be so impertinent as to pretend we are experts in some of the technical aspects of that.

Mr PRICE—Thank you.

CHAIR—That is the end of the evidence. Thank you, members of the Department of Foreign Affairs and Trade, for your attendance here today. I know you have been asked for some additional material. Would you please forward that to the secretary. You will be sent a copy of the transcript of your evidence, to which you can make corrections of grammar and fact. As Hansard may wish to check some details concerning your evidence, would you please check whether the reporters have any questions before you leave. Thank you for your submission, your evidence and your time this afternoon. We do appreciate it. I thank everyone for their attendance today, particularly those in Hansard and recording. I now declare the public meeting closed.

Resolved (on motion by **Senator Hutchins**):

That this committee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing today.

Subcommittee adjourned at 4.11 p.m.