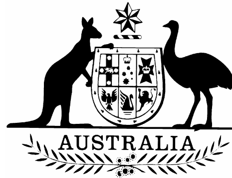

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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(Defence Subcommittee)

Reference: Australia’s defence relations with the United States

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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Defence Subcommittee

Friday, 26 March 2004

Members: Senator Ferguson *(Chair)*, Mr Brereton *(Deputy Chair)*, Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, Marshall, 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 Thompson

Subcommittee members: Mr Bruce Scott (*Chair*), Mr Price (*Deputy Chair*), Senators Chris Evans, Ferguson, Hutchins, Johnston, Sandy Macdonald and Payne and Mr Baldwin, Mr Beazley, Mr Bevis, Mr Brereton, 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: Senator Hutchins and Senator Payne and Mr Edwards, Mr Nairn, Mr Bruce Scott and Mr Somlyay

Terms of reference for the inquiry:

To inquire into and report on:

Australia's defence relations with the United States.

Since World War Two, Australia and the United States (US) have developed strong defence relations. In particular, the last decade has seen a new level of defence relations encompassing Australian involvement in the first Gulf War, the invoking of the ANZUS Treaty, and Australian involvement in US led coalitions in Afghanistan and Iraq.

The Defence Update 2003 commented that Australia's alliance with the US 'remains a national asset' and the 'United States' current political, economic, and military dominance adds further weight to the alliance relationship.'

How should the Australian-US alliance be developed to best meet each nation's security needs both in the Asia Pacific region and globally focusing on but not limited to:

- the applicability of the ANZUS treaty to Australia's defence and security;
- the value of US-Australian intelligence sharing;
- the role and engagement of the US in the Asia Pacific region;
- the adaptability and interoperability of Australia's force structure and capability for coalition operations;
- the implications of Australia's dialogue with the US on missile defence;
- the development of space based systems and the impact this will have for Australia's self-reliance;
- the value of joint Defence exercises between Australia and the US, such as Exercise RIMPAC;
- the level of Australian industry involvement in the US Defence industry; and
- the adequacy of research and development arrangements between the US and Australia.

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Subcommittee met at 9.02 a.m.

CHAIR—I declare open this public hearing of the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade on its inquiry into Australia's defence relations with the United States. Before my opening statement, I ask that a committee member move that we accept submissions 11 to 13 as evidence to the inquiry into Australia's defence relations with the United States and that they be authorised for publication. It is so moved by Senator Payne and seconded by Senator Hutchins.

Since World War II, Australia and the United States have developed strong defence relations. In particular, the last decade has seen a new level of defence relations, encompassing Australian involvement in the first Gulf War, the invoking of the ANZUS Treaty and Australian involvement in US led coalitions in Afghanistan and Iraq. The *Defence update 2003* commented that Australia's alliance with the US 'remains a national asset' and that the 'United States current political, economic and military dominance adds further weight to the alliance relationship'.

The subcommittee will be examining the Australian-US alliance, focusing on how it can be developed to best meet each nation's security needs both in the Asia-Pacific region and globally and focusing on, but not limited, to: the applicability of the ANZUS Treaty to Australia's defence and security; the value of US-Australia intelligence sharing; the role and engagement of the US in the Asia-Pacific region; the adaptability and interoperability of Australia's force structure and capability for coalition operations; the implications of Australia's dialogue with the United States on missile defence; the development of space-based systems and the impact this will have for Australia's self-reliance; the value of joint defence exercises between Australia and the United States, such as Exercise RIMPAC; the level of Australian industry involvement in the United States defence industry; and the adequacy of research and development arrangements between the United States and Australia.

Today the subcommittee will take evidence from the Department of Defence, the Returned and Services League, the Australian Strategic Policy Institute and the Department of Foreign Affairs and Trade. I would just like those here this morning to note that Professor Paul Dibb has been rescheduled to appear at a public hearing on 2 April. He was originally identified as appearing today. 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 the representatives of the Department of Defence.

[9.05 a.m.]

CARMODY, Mr Shane Patrick, Deputy Secretary, Strategy, Department of Defence

CLARKE, Air Vice Marshal Kerry Francis, AM, Head, Capability Systems Division, Department of Defence

HO, Mr Edwin, Acting Director General, Industry Policy and Programs, Department of Defence

CHAIR—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. Do you wish to make an opening statement to the committee?

Mr Carmody—Yes, I do, Mr Chair.

CHAIR—Thank you, Mr Carmody.

Mr Carmody—Australia's formal alliance with the United States under the ANZUS treaty is now 53 years old. It began in the crucible of the Cold War and endures today as a vital partnership in the war on terror. The alliance continues to be a major strategic asset and to a large extent reflects our many shared values and common interests. It also continues to underpin our close relationship with New Zealand. As international events of the last half century have demonstrated, the alliance is a source of strength, stability and security both in our region and throughout the world. The US itself makes it clear in its own submission to this inquiry that it considers the alliance with Australia to be a key element of its network of bilateral alliances in the Asia-Pacific. Further, the United States recognises the important stabilising role that Australia is playing in the region, a role which advances our own national interests, helps us maintain the security and stability of the region near to us and promotes good governance as a deterrent to potential terrorist activity. The Australian government, for its part, is keen for the US to continue its engagement in the Asia-Pacific, and is particularly focused on ways of coordinating our efforts to avoid duplication and to ensure we achieve complementary regional engagement objectives.

Our defence relationship with the United States is very broad and provides Australia with many benefits. We regularly consult each other on key defence and security issues through an extensive range of ministerial, senior officer and working level meetings and exchanges, and there is a constant flow of liaison officers in military and civilian postings between our two countries. At the bilateral level, training and exercising opportunities with the United States enable our defence personnel to maintain a high level of military capability and skills. Intelligence cooperation and sharing with the United States helps us to inform our understanding of the world and enhances considerably the ability of Defence to meet the needs of government decision makers and operational customers. Access to US military technology gives Australia a vital capability edge. Close bilateral cooperation on the purchase of high-technology military equipment also ensures that our defence forces are as interoperable as possible in capabilities

and systems, allowing Australia to contribute effectively to coalition operations abroad. At the regional level, our neighbours agree that the alliances and close strategic relationships that the United States has in the Asia-Pacific region are a critical source of stability in this part of the world.

The strength of the alliance has been reinforced by high-level consultation on the US global force posture review, negotiations on missile defence and intelligence, surveillance and reconnaissance cooperation, and initiation of a working group to develop options on a joint training concept. The government is also vigorously pursuing initiatives that will allow Australian industry to cooperate and compete with the US on defence projects. In doing so, of course, we have to recognise the difference in size between our respective industry bases. In the last financial year the US budget was about $A538 billion, or 3.4 per cent of GDP. By contrast, Australia's defence budget for the same period was $19.7 billion. If you remove the capital use charge of $5 billion, it comes to $14.7 billion, about two per cent of GDP. When you are a global power the size of the United States, you obviously have a greater capacity to sustain large, profitable defence industry.

Notwithstanding the small scale of Australian defence industries, their modest investments in research and development and their relative inexperience in the US market, the government is now focusing on a range of initiatives to open the way for more effective cooperation between the US and Australian defence sectors, including the seeking of streamlined technology release arrangements and a treaty level exemption from US export controls on unclassified material for Australia. Australia is comfortable with the direction the alliance has taken over recent years, but we recognise that we still face challenges in maintaining a high level of interoperability and cooperation, particularly as the United States implements its force transformation strategy. Australia and the United States will continue the commitment to assist each other when our national interests are threatened. We are actively working with the US to shape and develop the alliance to meet the shared strategic challenges of today and tomorrow. Thank you.

CHAIR—Thank you, Mr Carmody. Air Vice Marshal Clarke, did you want to make an opening statement?

Air Vice Marshal Clarke—No, I have no opening statement.

Mr Ho—Nor do I.

CHAIR—Thank you. You spoke about the historic time that we have been involved with the United States through ANZUS—it has been 53 years now. Can we improve on the ANZUS treaty? Is it as relevant today in its current structure as it was when it was originally signed?

Mr Carmody—I think it is as relevant. In fact, the invocation of it on September 11 is testimony to the fact that it is relevant. In its first few years, of course, it was not called upon at all—it just existed. I think it is becoming more relevant as time goes on and is more relevant to us now as issues like the global war on terror and proliferation security and the range of things in which we cooperate with the United States on a global basis actually grow. The notion of changing it is a difficult construct. From our perspective, it is flexible enough but strong enough to allow us to continue to develop our capabilities in step.

CHAIR—Do you believe that the ANZUS treaty as it is now is able to meet any foreseeable challenges that we have in our defence, looking ahead?

Mr Carmody—My view is that it is. I also make the point that sometimes when you seek to change or alter things that have longstanding significance, unless they are fundamentally ineffective, you run the risk of coming out with a less substantial outcome. I do believe it works well for us. It has stood us in good stead and continues to work well.

Senator PAYNE—It is a dynamic environment because of the status of New Zealand and the approach that they take in their relationship with the United States; how does that impact on the Australian approach?

Senator HUTCHINS—Is it appropriate to still call it ANZUS rather than just 'AUS'?

Mr Carmody—For us it is, because the ANZUS alliance binds Australia and the United States in the same way as it binds Australia and New Zealand. I cannot actually speak formally for New Zealand, but my perception of the New Zealand approach to the ANZUS alliance is that they have not abrogated the alliance. It is not actively promoted, but they have certainly not gone to the point of trying to abrogate or remove the alliance. I think that underpins the fact that they still see that it has some validity and utility. For us, it provides a mechanism for us to work together with the United States and work together with New Zealand. To a point, we are in the middle; we are in between the two. But I do not think the situation is at the point where you would say, 'Let's have an Australia-US alliance and not have New Zealand.' I think our interests are best served by having New Zealand in as well.

Senator PAYNE—Is it still an alliance you would see as three feeding in together or is it more Australia-New Zealand and US-New Zealand than the three together? New Zealand has a very different position.

Mr Carmody—I think that, at a point in time, it was the three contributing equally, if you can call it that. Of course, the scale differences do not make that possible, but they were all contributing and looking at the alliance the same way. I think at the moment we look at the alliance slightly differently. That does not mean in my mind that we should change it. I still think it is valid and it serves a purpose. It is still a framework; it is just that, with changing times and some changing perspectives of governments, it is employed somewhat differently. It is probably less a focus for them at the moment, but it still remains a focus for us. From an Australian point of view, it provides us with the framework to deal with the United States and it provides us with a useful framework to continue to deal with New Zealand.

Mr EDWARDS—I just wanted to touch on procurement. I wonder if you could explain to me the importance of the issue of interoperability, which you mentioned a couple of times. I will just give you an example with regard to the purchase of the Abrams tanks. I was very interested to read in the magazine *Contact*—and I am not quite sure whether you have seen it—about an assessment of the Challenger, which is the British tank, the Abrams and the Leopard. In every sense the Leopard came out head and shoulders above the other two. The editor said, 'I suppose, then, that you think I would recommend the Leopard, but I am not. In terms of interoperability I would recommend the Abrams.' It seems to me that this issue of interoperability is the thing which is underpinning all of our philosophy in terms of procurement. How do you weigh up the

importance of interoperability as compared to the issue of our own terrain and our own immediate defence needs?

Mr Carmody—I might start and then pass it on to Air Vice Marshal Clarke in a moment to go through the specific capability aspects.

Mr EDWARDS—I ask the question because of the strength of the alliance.

Mr Carmody—I have not seen the article you are referring to and there are probably a couple of elements in it that are surprising. The government's decision to buy Abrams was based on a number of factors, but clearly one of the principal ones was protection. It is a known quantity and it is a very highly capable piece of military hardware. It is also fielded—it is in use and the R&D risk does not exist. So we are buying a known quantity. It is a new item but a known quantity. I think that is very important.

At the same time, we get the interoperability benefits. I do not believe that we would go to the point of sacrificing safety for interoperability. I think that would be the wrong path to go down and I do not believe that is the path we have chosen. I know that the very high priority for Chief of Army and for CDF as well was mobility, protection and ability to operate this capability in the region. Interoperability played a part, as did the ability of this new capability to be part of the digitised battle space or the new network-centric war space that we are trying to develop for the Australian Defence Force. All of those things played a part.

Air Vice Marshal Clarke—I would just add a couple of things. The prime driver for the purchase of any defence equipment is the defence of Australia. That is the first key. If it goes beyond that and has the capacity to be interoperable then so much the better, but it is not the consideration that makes the decision in the first place. With specific reference to the Abrams-Leopard comparison, without getting into great technical detail, the two platforms—and I have not had the privilege of seeing the article either—that were compared were a paper tank, a Leopard 5A, and the current Abrams. The Abrams' superior protection capability came from two key factors relating to crew survivability: the sort of armour you have on the vehicle and, more importantly, the fact that the ammunition is not stored inside the crew turret and, therefore, if some sort of round should penetrate the hull, the secondary effect on the crew is much lower than it would be for any of the other vehicles that were in the consideration. So crew protection, as much as firepower and mobility, was a key factor in the decision.

Mr EDWARDS—The issue of the tanks was one example. What I really wanted to get to, and I think you have answered the question, was the interoperability versus other aspects of whatever piece of equipment we might be purchasing.

Mr Carmody—I will come at interoperability from a slightly different direction: interoperability and the defence of Australia are not inseparable concepts. By seeking to be as interoperable as we can with the United States we ensure that we can maintain our ability to operate with them and exercise with the most efficient war-fighting nation in the world at those levels. So interoperability gives us interoperability with the United States but is also a code for the fact that it gives us access—it allows us to operate, train and bring our forces up to the level of that war-fighting nation. In a professional war-fighting sense, interoperability is not an end in itself; it is a means of ensuring that our Defence Force can operate at the highest standards. So it

is a consideration, but not in the sense of wanting to be interoperable in order to be able to go somewhere; it is more about wanting to be interoperable to be able to operate and get the benefits of working with that defence organisation in things like all of our exercises, training and information sharing. So you might want to be interoperable in the sense of having an interoperable tank, but interoperability also might mean intelligence sharing and having interoperable systems to ensure that we can share information and share situational awareness. It is a much broader concept. I do not look at it entirely in a platform sense, but more in a broader capability sense in what it delivers for us.

Mr NAIRN—Isn't interoperability much more relevant in a software sense than in a hardware sense? The communication systems—computing, data transfer and those sorts of things—are far more important to get right than having the same truck, for instance.

Air Vice Marshal Clarke—I think it is more than just data. The concepts of operations, language and status of thinking are of as much importance.

Mr NAIRN—But they are all software things rather than hardware things anyway.

Air Vice Marshal Clarke—They are software things, if you like—not the hard tanks or trucks or ammunition. But, yes, you are right: those are the real drivers of close cooperation on the battlefield as much as the hardware.

Mr Carmody—And logistics interoperability as well: for example, being able to share supply lines and know that what is coming down the pipe is in fact the item that you need to support the war fighter, regardless of whether you buy it with a credit card from one of our allies or bring it with you yourself. There is an interoperability component there as well.

Senator HUTCHINS—I assume that this concept of interoperability is not a new one for us. Has there been a decision made at some point by Defence to move from interoperability, say, with the British or European model to a United States model or to one that might suit moving from an equatorial landscape to a harder landscape? Has there been a shift at some point where people have made a decision that that is the path we should go in the future rather than stay a certain way?

Mr Carmody—The United Kingdom also seek to be interoperable with the United States; they actually work on similar interoperability principles to the ones that we work on. So it does not actually fall into specific black and white departments. I would argue that there has not been a conscious and deliberate shift, but there certainly is a focus on making sure that we can work very closely with the most capable of war-fighting nations. That is really the concept that drives it all. It is not about saying that we would like to be more interoperable with the United Kingdom than the United States; one will probably give us the other anyway.

Senator HUTCHINS—Have we not been interoperable with the United States for 53 years?

Mr Carmody—I think there are probably watershed events that have focused our interoperability and I think every one of them is a war-fighting event. Whether it was Korea, or Vietnam in particular, or experience beyond that in Somalia and the lessons we have learned from Iraq, they all move us in that interoperability direction. When interoperability started it was

things like swapping radios on the bridges of ships so that ships could talk to each other. Technology has now enabled us to say, 'Let's not do that; let's provide compatible systems.' So we have gone from the clunky solutions to interoperability to the more modern and seamless ones. I do not think it has been a conscious shift, but a series of events have moved us in that direction over time.

Air Vice Marshal Clarke—I would add that I do not think the two are incompatible. The sorts of seamless integration that we saw in INTERFET, for example, of UK forces into the Australian package, reflect exactly the sort of analogy that we have seen in Iraq of Australian integration into the US package. So there is no direction from one to the other but rather, as Shane has pointed out, they are overlapping, and together we are congruently going in one direction. There has been no positive decision one way or the other.

Mr EDWARDS—I refer to your submission, where you talk about interoperability in terms of acquisition programs and training plans and you talk about a number of areas for improvement which were identified, including information exchange, harmonisation of some capability and cooperative science; all these things, of course, make sense. From your submission, I understand that you formalised things a bit in October 2002 and that you have now started up an office of interoperability, which will be part of the Defence Capability Group. Can you give us some idea of how big that office will be and whether, indeed, it is just an office which focuses on the American situation or whether, as Senator Hutchins asked, it is broader than that and looks at the Brits and some of the interoperability issues that would, of course, occur there?

Mr Carmody—It grew out of an initiative at the Australia-US ministerial forum that, even though interoperability was working and we had made great strides in interoperability, maybe we could go one step further and more consciously work the interoperability issue between the two nations. That was where the initiative began. Even though we had made great progress, there were still points where we would run up to a slight bit of friction, be it technology or some problem with harmonisation. So a review team was established to do that. That interoperability review team has come up with a significant number of recommendations, including everything from placing more Australian officers in the United States in particular locations through to interoperability focus in a range of programs. That is where it started. With the development of the new Capability Development Group within Defence, which Air Vice Marshal Clarke is part of, the concept evolved further into saying, 'Let's take this interoperability team and recommendation and move it into the organisation.'

Air Vice Marshal Clarke—I think that is true. The team is relatively small. It is three people at this stage. The interoperability review is a total team of five led by retired Air Vice Marshal Treloar. The team capability, development group interoperability, will look not just at the US arrangements, but, rather, at the US and UK, as focused, and also have a charter to look across the Tasman to New Zealand. We are looking more broadly than just that body of work which was catalytic in the bilateral relationship with the US, but the team itself will grasp up into one more cohesive group bits of work that have been going on in my division separately. That makes sense to us.

CHAIR—Senator Payne?

Senator PAYNE—It is not a question about interoperability.

CHAIR—That is all right. We can always return.

Senator PAYNE—Mr Carmody, in your opening remarks you mentioned a working group on a joint training concept. Could you give the committee some more information on that and we will see where that takes questions.

Mr Carmody—Certainly. At the Senate legislation committee in February I mentioned that the joint training centre concept is still being investigated and that we have commenced some scoping options. We do not expect to have them completed until about June. Australian officials met in early March in Canberra to try and progress the joint training centre concept a bit further and to establish a sort of task list of things that we might want to address. We currently have a small Australian delegation in Hawaii—they are actually there today—with US Pacific Command officials for further discussions. The focus that really started was a joint training centre for Australia and the United States, but, more importantly, Pacific Command would probably be the principal US user. That is where a lot of the drive came from. The purpose of the meetings we have in Hawaii is to agree with the United States the methodology that we can use in the scoping study and to develop a clear understanding of their requirements and capabilities, and ours. Once the delegation comes back, they are due to have a progress report submitted to us by the end of March.

Senator PAYNE—You mean the end of next week?

Mr Carmody—Yes. They met earlier this month. We have fired them up. Now they are meeting in Hawaii this week. By the end of March we want to have a progress report on how they think they can do the scoping. The joint training centre concept is a very complex issue, in my view. It is not something that will be delivered by 15 June. For example, if we decided that we wish to cooperate on something as complex as a fully instrumented range in the Northern Territory, and decided to share funding and technology to work out how we would develop that, that is months and years, not days and weeks. I think it will take a long time to get to fruition. By the middle of this year we would expect to have a good idea of what we want to do, what they want and what we think we are able to do. Then we can move it forward.

Senator PAYNE—In terms of doing the scoping study, that is to look at the breadth that such a training centre would pursue—

Mr Carmody—Yes.

Senator PAYNE—and I assume the practical realities of where it is, who is managing it—whether it is a joint management approach and that sort of thing.

Mr Carmody—That is very true. In fact, that is probably even slightly premature, but it would get to that. The notion of saying that we will have a joint training centre is a nice one to start, but there is also whether and when the United States would like to do it, how much money they would like to put in it and what budgetary year they would be able to do it. If they say, ‘Yes, we think a joint training centre is a good idea and we will put some money away in the 2008 fiscal year for it,’ that starts to give us a guide for when we can start to make things happen. The scoping study will work out what the needs are, where there are any shared needs, if you will, and the type of joint training centre that we could start to develop a concept on, and then start to

lay out the scope and the time frame. As I said, I think it is a very complex issue and will take some time.

Senator PAYNE—Across all the forces?

Mr Carmody—Across all. You could argue, for example, that you might have airborne activities, maritime range activities and land force activities. And in high end war fighting you might want to find a way to digitally link all of the three and you might want to have, for example, one of them not even deploy and actually be running it electronically from somewhere else. When you start to put these things together, they become extremely complex. That is why it will take some time.

Senator PAYNE—I understand that; I have got that message. Notwithstanding that start-up process and all of that, is it envisaged that it would simply be an Australian-US operation, or would it have the capacity to invite other participants?

Mr Carmody—It would certainly have the capacity. It is one of the things that we would seek to agree with the United States but, in principle, our broader vision for it is that others would be able to use it as well. You might be able to have other nations deploying and using the facility. Without presupposing any particular nation, the Singaporeans come to Australia and train, and they have vehicles here. They might wish to use something that, if we developed a different sort of training facility, might suit them. The Thais are down for Exercise Pitch Black, with their F-16s. They might want to use it. I would say that it provides countless opportunities. It is probably too early to determine but, at the same time, the direction would be to be inclusive, not exclusive.

Senator HUTCHINS—I have a few questions on interoperability. You mentioned exchange of officers. Is that part of interoperability now? When you said interoperability was not just equipment and software, is personnel covered by that term? I would assume that that has been going on for a century.

Mr Carmody—It has been going on for a long time. When the interoperability study was done—and Kerry might know more about it than I do—there were some recommendations about a couple of places to place officers where we would get more bang for the buck than we are getting now, and, if we wished to realise some other interoperability benefits, we could put people in a couple of places. I would call them short-term gains or low-hanging fruit, and we tried to take advantage of those early as distinct from some of the other things which take some time.

Air Vice Marshal Clarke—For example, our exchange program, as you pointed out, has been going on for a long time, but it has primarily been focused at the tactical level: fighter pilots exchanging with fighter pilots, army officers with army officers, maritime officers with maritime officers. One of the key outcomes of this review said that we actually get better synergy of war fighting when we can get people at the operational level in commands who understand how the others plan logistically and operationally, how they use intelligence and what force structures they can use. We actually did that pre Afghanistan and pre Iraq. The review recommended that as a really good thing and that we should start to change our focus, just as we had developed ourselves from single service to joint, to make the exchanges more joint.

Senator HUTCHINS—Are you aware of whether any of our Asian and Pacific neighbours are involved in interoperability with the United States?

Air Vice Marshal Clarke—There are. Thailand and the US have a very strong relationship, as do the US and Singapore and, to a lesser extent, the US and Malaysia and other Asian nations. Of course, Japan is very highly engaged with the US, as is Taiwan.

Senator HUTCHINS—Not New Zealand?

Air Vice Marshal Clarke—New Zealand national policy, as was pointed out earlier, has a slightly different approach to their relationship with the US. While they still have regular contact and some limited exchange, it is not at the same strength as the Australian relationship in its current form.

Senator HUTCHINS—Does that include hardware and software?

Air Vice Marshal Clarke—Are you talking about more broadly in Asia?

Senator HUTCHINS—No, New Zealand.

Air Vice Marshal Clarke—New Zealand does have access to some US technologies, that is true—and that is done on a case-by-case basis on a bilateral arrangement with New Zealand and the US.

Senator HUTCHINS—When we talk about interoperability, it appears to me on the surface that the United States have this huge defence machine and we are committing ourselves to buying their equipment, et cetera. I do not know if you are able to answer this or if it is fair to ask you, but is there any point where we discuss with them that we will make gearboxes or shells here or anything like that?

Air Vice Marshal Clarke—Absolutely; it is a key part of our strategy. Programs like the joint strike fighter, one which you might be familiar with, are actively pursuing Australian companies' engagement in the broader program, not just for the Australian component but much more broadly.

Mr Ho—We certainly need to be able to support in Australia the equipment that we buy, and we need to work out what is necessary for us to maintain the equipment and operate it here. That is what we aim for.

Senator HUTCHINS—Is there an ability for us to get some details about what might be currently constructed here or is in the pipeline or being negotiated? If that is confidential, just say so.

Air Vice Marshal Clarke—There is detail on the public record and there is a deal of programs. For example, we have about 10—or maybe even more now—Australian companies having won contracts as part of Australia's contribution to the broader joint strike fighter program in the US. In other words, they have been used by US primes to deliver product for the whole program, not just for Australia.

Mr Ho—I can add to that. We have 11 companies now involved in the US contracts. They have 13 contracts so far. The value of those at the moment is about $40 million. As we are still in the early phase of developing the aircraft, we expect that in the future we will have more involvement as production gets under way.

Mr SOMLYAY—Take the point of view concerning interoperability between Australia and the US, between the US alliance and NATO and the interoperability with NATO and Asian countries. How does that affect our interoperability with these other nations? Is there a benefit to Australia? Is there a flow-on to interoperability?

Air Vice Marshal Clarke—Yes, there is. When I spoke earlier to a question from one of the other committee members, I talked about interoperability being as much about concepts and procedures. Australia, the US and the UK have adopted a number of NATO standards for the way in which they do business. For example, as to the sorts of weapons we produce, a simple thing like the distance between the lugs on bombs accords to a NATO standard so that you can put the bomb on a common weapon rack that exists. That style of thing has been in train for some years, and a great deal of equipment complies with those standards. Our procedures are drawn from those which are common with NATO. My recent experience in South-East Asia in the five power defence arrangements also draws on similar sorts of common procedures and grounds, so you see a proliferation of common standards, albeit with variations at the edge, to gain the understanding of interoperability. It gives us better chances all the time, as we continue to evolve along that path. No, NATO is not excluded, if that was the intent of the question.

Mr Carmody—As to the broad interoperability of battle states, there are levels of interoperability. There is a NATO level. If you start looking at command and control systems and sharing intelligence and sharing awareness, then we are seeking, with the United States and the United Kingdom, to be on a very high plane, to actually operate at a very high level, which gives us manifest interoperability advantages that take all of the equipment interoperability issues and allow us to operate the whole of the system better. So there are levels of interoperability between the United States and various Asian nations, as there are between us and various countries in South-East Asia, between the US and NATO and then between the US, the UK and us. I would not necessarily call them tiers, but there probably are varying levels of interoperability.

Air Vice Marshal Clarke—I might add that that is related to security exchange as well as the physics of the interoperability part.

Mr EDWARDS—My questions relate to defence industry. I see in your submission you mention that some impediments stand in the way of improved Australian participation in the US defence market. You mention the small scale of Australian defence industries. I just have a couple of concerns. One is that, if we rely too much on this interoperability in terms of procurement, are we doing enough to support our own defence industry? As I said, in your submission you mention the impediments that stand in the way of improved Australian participation in the US defence market. Surely if our industry is going to grow in Australia then we must get better access to the US market. That, I assume, is a fairly important consideration. But I see that there was a memorandum of agreement on reciprocal defence procurement signed in 1995. In 2000 a Statement of Principles for Enhanced Cooperation in Matters of Defence Equipment and Industry was agreed to. Can you comment on those points I have made? Also, would it be possible to get some indication of what that statement of principles would include?

Mr Carmody—I will start and then I will pass the more technical detail across to my colleague Mr Ho. The point he made earlier, though, is valid in this context. We need to be able to find ways to support the Australian Defence Force's equipment capability from here when we need to. It is no good for us having to go somewhere else for something. As a consequence, we need to ensure that Australian industry is developed to the extent it can be to support the equipment and the capabilities that we field and operate.

At the same time, there are significant differences in scale. I do not think the defence market is any different from any other market in trying to have production levels to the size where they can really compete in the US market. We have situations where, at certain points of industry, industry is probably at the level where it can cope with domestic Australian investment in certain areas. Therefore, it needs to be promoted. We need to find ways to develop Australian industry. That has been a constant focus but there is a balance between ensuring Australian industry is developed and ensuring we can continue to support the war fighter. I think that is a complex mix. As for the impediments, I will pass to Mr Ho. He has some more details not only on the 1995 MOA but also the other agreements and where they fit.

Mr Ho—The basis on which we try to develop Australian industry is to be as self-reliant as possible. To do that we need to be able to support the equipment that we procure. But I do not think we are of a size, compared to America in particular, that we can be totally self-sufficient. Obviously we cannot produce our own aeroplanes and all of the other equipment that we buy. Hence, we need to look at what is strategically important to us and try to develop our industry capabilities in those directions.

In terms of impediments, the US have legislation and regulations to protect their own defence industry. We have agreements with the US—as you mentioned, the 1995 MOA and the statement of principles—which allow us some access to the US market and to information. Of course, a lot of the technological developments are made in America and we seek access to that technology. These agreements give us a level of access to be able to have technology and equipment exported to Australia and the ability to support that if we can.

Mr EDWARDS—I have one more question in this area, which relates to the Statement of Principles for Enhanced Cooperation in Matters of Defence Equipment and Industry. I think it would be in the interests of the committee to have a copy of that or at least to have some more information as to what those principles involve or include.

CHAIR—Yes.

Mr Ho—I can provide a copy of the statement of principles.

Mr EDWARDS—Thank you.

CHAIR—I have a question about industry involvement in the US defence industry. There is some debate amongst some of the 'defence community' who claim that the United States restricts the sharing of source codes and intellectual property to the detriment of Australian industry and the Australian Defence Force operational requirements. Is that a real concern or is that just a debate at, say, an academic or defence community level? It is out there that the US

does restrict our access to and sharing of some of its source codes and some of its intellectual property.

Mr Ho—That is correct. The US of course develops this technology and does not want it spread worldwide where other people could use it or counter it. Hence, it has legislation that protects how it shares that information and to whom it provides that information. Being a close ally of the US, we of course seek access to that technology, but it is not always available.

Air Vice Marshal Clarke—I would add that there are a couple of areas where we are particularly aggressive in our relationship with the US, and this is one part of it. It is not that we need access to all source code. That is not what we are on about here. But we do need access to those components which are particularly important to our specific way of war fighting. An example of that is electronic warfare self-protection, where we want to modify the US systems to operate more effectively in our areas of operation against the sorts of systems that we might see in our region. We have been successful in gaining sufficient access to make those changes for our own purpose. We will continue to progress that as we go towards the new platforms and that is a thread we will continue to maintain. There are other areas where of course there are no impediments, but there are some which the US does sustain as being critical to its own national defence and shares them with no-one, including its closest allies.

CHAIR—I have a question on that final point. I think Graham Edwards and I saw a little bit of this when we were in Afghanistan that, in a command and operational area, whilst the Americans were in command, our people were not always directly linked in to the American command structures and real-time operation and intelligence.

Air Vice Marshal Clarke—That can happen, and it has also been a source of continuing work for us. Part of the interoperability review was to develop a system which is connected onto the US secure command backbone, but which has sufficient gateways and connectivity for them to protect national security data but to share everything else with us. That is ongoing work. We now have a system in place and we are continually developing it with the US. For example, I now have desktop connectivity with my compatriots in Washington. There is a level of detail that you go through. As Mr Carmody said earlier, there are layers of connectivity. During operations and in Iraq and Afghanistan during the war fighting, we were well connected and absolutely so. In Iraq, there were, to my knowledge—and I am speaking second-hand here—no impediments to our access to the US systems at that time.

CHAIR—To our commanders?

Air Vice Marshal Clarke—To our commanders.

CHAIR—Who, obviously, can give the orders to our own people.

Air Vice Marshal Clarke—Correct.

Mr Carmody—We are very closely integrated. If you went to the absolute point of integration then the United States would treat the Australians as Americans and provide them with access to everything. It is reasonable to assume that the United States also wants to retain some element of its strategic edge—that is the way it has become and the way it maintains its

status as a superpower. Our challenge is to be as close as we can be—to be right up next to that and as linked in as we can, either treated in exactly the same way or developing a system which allows us to have access to most of the data.

We find that when we have Australian officers integrated into US headquarters in line positions, for example—and we have integrated positions now—we have very little difficulty. We can make that work and that becomes quite seamless. I would argue that the ultimate is probably not achievable—absolute transparency is probably not achievable and the United States would want to maintain some degree of its security and sovereignty from everyone, even its closest allies. But interoperability and trying to work together with them all of the time and having the equipment that allows us to work together with them all the time so that it looks and is identical in many ways allows us to get as close as we possibly can.

Air Vice Marshal Clarke—I would like to extend Mr Carmody's point in one area. From Australia's perspective, there is also information which we would want to protect from a national security perspective—in other words, there is information which we would not want to share. So each nation has those sanctuaries. Out intent here is to ensure there is no physical impediment to connectivity, only impediments of logic—logic which can be changed as circumstances change.

CHAIR—I understand the sovereignty issues; that is obviously a given. But it is sometimes in those operational areas where intelligence is terribly important—for example, if things went wrong and we did not know and some American knew of some intelligence or a risk to our people. Are we linked now? You suggested a moment ago that we have made progress in this area. Is that very recently? Is it prior to the war in Iraq? Is it since the war in Afghanistan? Or was it only very recently, in the last little while?

Air Vice Marshal Clarke—You seem to be driving at a circumstance of which you have personal knowledge.

CHAIR—No.

Air Vice Marshal Clarke—I am sorry if that is the case—

CHAIR—No.

Air Vice Marshal Clarke—but my understanding is that the connectivity changes with time. As stress comes on—and we are a coalition fighting a war—the US have made it very clear to us that there is no circumstance where they would jeopardise an Australian life by not sharing information. That is the principle they adhere to. If we have that connectivity and that understanding then we are as well connected as we can be at this time. Where there is no stress to Australian life they might well resort back into their sovereignty arrangements, but us having connectivity for connectivity's sake is not what we are driving at here—it is only for the need to know in certain circumstances and certain environments.

Mr Carmody—In Iraq, for example, we are very integrated into the United States' system, or into the coalition war fighting system, and we do exchange threat information between our security detachment and everybody else, for example, and right into the heart of the US system

all of the time. The protections that they are applying for themselves, and the sharing, is as close to seamless as you can get.

Mr EDWARDS—In relation to the same point, Mr Ho, you mentioned that America has regulation and legislation which in effect protect their defence industries. How much of an impediment is that regulation and legislation to Australian defence industries getting a greater share of what market opportunities might exist now or in the future? I also wonder whether any of this is covered by the FTA at all. Could you enlighten us there?

Mr Ho—The MOA and the statement of principles allow the Americans to provide waivers of some of that legislation. The FTA also allows Australian companies to provide nonmilitary equipment to the US. Military equipment has been excluded from the FTA. We have to apply, normally on a case-by-case basis, for waivers of the preference policies or duties that are put on foreign suppliers to America. But, under the agreements, we hope to receive standard waivers so that Australian companies are able to then bid for American supplies. But there are still problems there, depending on what has been requested and whether we need to have access to specifications. Sometimes the process for releasing that information to Australian companies is so slow that, in practical terms, it means that Australia cannot bid for them because it cannot get the information in time to respond. We are hoping to get around those sorts of impediments through agreements such as the MOA, the SOPs and the free trade agreement.

Mr NAIRN—Just on the industry area, isn't the notion that a lot of Australian defence industries cannot do much in the US because they are not big enough only applicable to the big-ticket items? In fact, a lot of small and medium sized Australian companies actually have quite good success. I would even say that, from my understanding, the US defence system is actually a lot more user-friendly to the small and medium sized companies than the Australian defence system is.

Mr Ho—Certainly in Australia we have a lot of small to medium enterprises with niche technologies that are world leading. The problem has been to get that out to the world. Australia buys a certain amount of equipment but it is usually not enough to keep these companies viable, so they have to export in order to remain economically viable. In exporting, we have to overcome impediments in, say, the US market that would allow those companies to be used by American prime companies as suppliers of subsystems. That is what the government is doing in the joint strike fighter project. We lead teams of Australian companies to get access to the world market and supply to the world rather than just to supply the amount that Australia is going to buy.

Mr NAIRN—I think there are in fact some examples where Australian companies are supplying US defence but not Australian defence.

Mr Ho—Yes, that can happen. Our procurement, of course, is restricted by our size. Certainly there are companies in Australia which export goods that Australia is not buying.

Mr NAIRN—There is a company just across the border of my electorate doing exactly that. With the joint strike project, you mentioned that 11 Australian companies now have 13 contracts. Are they all Australian companies or are any of them subsidiaries of international companies?

Mr Ho—Most of them are small to medium Australian companies. Some are subsidiaries of American companies, but, of course, they are set up in Australia, they employ Australians and they use Australian technologies.

Mr NAIRN—I have a related question. In your submission you talk about some research and development agreements between the US and Australia and under a particular agreement, the Deutch-Ayers agreement, there are currently 19 projects. How much of that R&D under those agreements is being done here in Australia and are there opportunities to increase the level of that investment happening here rather than in the US?

Mr Ho—I am not across the R&D side.

Air Vice Marshal Clarke—I have some knowledge and might be able to help. We have an aggressive program with the US with a range of US research institutes and they also look at activities in Australia. One that springs to my mind is the hypersonics research that is going on at Queensland University, which is of interest not only to our own Australian defence science organisation but to the US scientists as well. That is an example of where Australian technology is of clear interest, has a clear edge and is being watched in the sense of the R&D being more futuristic than having direct application to current weapons or weapons platforms or even a much broader spectrum. We are involved with the US in a range of programs called the technical cooperation programs. That is a series of workshops which are specifically aimed at particular subjects. For example, data fusion works closely with the US defence agencies. Others which relate to computer network defence are also cooperatively researched between our defence science organisation and US agencies. There is a broad interaction. The simple fact of the matter is that the US spends a huge amount of money on R&D and our proportion of it once again reflects the size of our country and the size of our budget.

Mr NAIRN—I understand that. I guess what I am getting at is how we can get more of that huge US spend actually happening here.

Air Vice Marshal Clarke—I think that is a focus and one of the things that the interoperability review has identified is ways we might achieve that. There is an advanced technology concept demonstrator program which the US run and for which we have bid into their system for our activities to be supported. Hypersonics is one of those and there is good potential for some money to come in that area.

Mr Carmody—We also have some hope that in the future with missile research cooperation there will be some research and development elements within that as well. As Air Vice Marshal Clarke said, there is always more but we are pretty aggressive in this area in trying both to access technology and to demonstrate that Australian technology has a place, because that also helps our interoperability and helps our relevance and allows us to work together more closely. We are quite aggressive. There is always more to do and we hope that something like a research and development annex under the missile defence MOU, when it starts to work its way through, might actually provide more opportunities.

CHAIR—I have a question on industry. In Australia we have the Incat catamaran, which is built in Tasmania and creates a lot of jobs, but the operation of the United States Jones Act prevents us selling that, as I understand it, to the United States. We could lease it to them but not

sell it to them. I must say I have not looked at that side of things in the free trade agreement. Has this come up in the free trade agreement? Is that something we continue to pursue, or is it just put in a pigeonhole?

Mr Ho—Ships are excluded from coverage of the free trade agreement. You are correct that the US has legislation that prevents the US Defense Department buying ships that are not US built. However, this does not preclude our involvement. In the case of Incat and Austal, they form alliances with US companies and provide the technology transfer, but the ships can be built in the US if the US wishes.

CHAIR—So are they building the Incat catamaran style of ship?

Mr Ho—Not as far as I am aware, not yet, but I think the companies—joint venture companies—have agreements with American companies already to supply the technology.

CHAIR—With the United States?

Mr Ho—With US companies, yes.

Mr Carmody—It would be an admirable objective, I think, to overturn something like the Jones Act—

Mr Ho—I think it is highly unlikely.

Mr Carmody—but it is unlikely for us or for anyone else, and we are a very close ally.

CHAIR—Given that we are a very close ally and we have been in many joint operations and we are in ANZUS, which is a shared value we all have, I think it is something we must continue to pursue. The Incat catamaran is one of those examples of a crazy situation. They could lease it but not buy it, so we have to resort to other ways of being able to get some value out of that technology in terms of jobs for Australians here in Australia and our defence industry.

Senator HUTCHINS—On a different aspect, I do not know whether you have had an opportunity to read Dr Carl Ungerer's paper to us. In it he states that there is a perception among some allied intelligence agencies, including the US, that Australia has been failing in its burden sharing responsibilities for a number of years. Are you aware of any such perceptions or why they may have developed? Would you like to comment on his paper before he gets here and get one in?

Mr Carmody—I am not sure I want to comment on his paper, but let me make a couple of points. I am not actually aware of the basis of that statement about perceptions. Certainly I have had some involvement in the intelligence community over a number of years and I do not believe that the allied intelligence community holds that view, and I do not think that the wider US intelligence community holds that view either. It is a perception, but I would argue that my perception of that perception is that it is not real. Our relations with the US intelligence community and the allied intelligence community are very close. The allied intelligence community relies on the Australian intelligence community, if you will, to provide intelligence on our region of interest; in other words, to share the load. We get a lot back for that. I still

believe we get more back than we put in. We certainly do in volume and I think we do in terms of world awareness as well. But the perception that we do not pull our weight is a surprising one. There are always people with points of view; I just do not think this one is valid.

Senator HUTCHINS—With that perception, you said you were aware of it—

Mr Carmody—I am aware of it because it is in his paper, but not aware of it as a broadly held perception. I know it was in his paper.

Senator HUTCHINS—So, to be blunt, you think he is wrong.

Mr Carmody—Yes, I think he is wrong.

Senator PAYNE—I have a question in a different area.

CHAIR—I have got a couple of others on intelligence sharing in a moment.

Senator PAYNE—I go back to the question we touched on briefly before of joint defence exercises. There is some information in the submission about the high-end exercises conducted in 2003. I think the submission refers to 19 of those. In another submission to the committee, which is in fact from the Returned Services League, there is an observation that some Australian experience and education does not seem to have been offered to US strategic planners. I quote:

> This area is that of post-operational nation building. Australia has recent successful experience of this in Cambodia, East Timor and currently in Bougainville. An example of US lack of success and forward planning appears clear in Iraq today. Australia could offer the US 'experienced guidance' in these matters.

I wonder to what extent there is information sharing in exercises such as this, whether they ever extend to that side of perhaps a civil military operation in some ways and whether there is a capacity for us to in fact build on that to make it a more successful interaction.

Mr Carmody—I recall, prior to going to Iraq to look at a range of reconstruction issues and particularly the development of the new Iraqi defence force, that Walt Slocum from the United States, who was heading that at the time, made a strong point of coming out here and talking to us about our experience in East Timor, for example, and our development of the East Timor defence force and those sorts of issues. The scale is enormously different—

Senator PAYNE—Of course.

Mr Carmody—but some of the lessons were very similar. He listened to what we had to say. We had a number of exchanges on that and provided some information. That went into their consideration. At the end of the day, we have had opportunities to provide information. I do not know whether you can then draw the direct parallel of saying, 'This one is more successful than that one because we didn't discuss the issues.' But we certainly have experience in those areas and we certainly shared it. We have actually discussed it and I have been involved in some of the discussions.

Senator PAYNE—I understand it is difficult to draw those parallels. As the aphorism goes, 'You can lead a horse to water.' Some of the other concepts we have been discussing today, such as interoperability, where there is very close cooperation, particularly with the development—and I do not want to overreach myself here, Mr Carmody—on the joint training centre, seem to me to provide some opportunity in a changed world in terms of levels of activity and the requirement for peacekeeping and nation building to actually formalise that process. If the United States and Australia were to give some formal recognition to the importance of nation building and that part of the peacekeeping operation, it seems to me that would really put it on the map.

Mr Carmody—I think that, on one level at the joint training centre, we are looking more at the high-end war fighting than we are at nation building. That might well evolve into something else, but we are in the early stages. I recall something on East Timor and Iraq that struck a chord with me. There was a report, which I heard of yesterday, that referred to the development of the Iraqi defence forces. It said that, of all of the ministries in the new Iraqi government which are being looked at now and are ready to stand up on 1 July, the one which is the stand-out success and ready to stand up is the Iraqi defence ministry. That is the one we have provided some advice to and that is the one in which we have a number of Australian experts involved. We do not have many there in number, but, from a Defence point of view, we have them in that defence organisation and some of them were involved in our East Timor activities.

So there is a parallel there, and I think some of those lessons are transferring on a practical level. I am not claiming any credit for this, but it is heartening to see from the reports that that ministry is ahead of most others. On the broader issue of nation building, there are a number of facets to it. We have had some success in East Timor, to a degree, but I think our success is limited—it is controlled. I am not certain we can set up an entire model, but I do agree with your point that, with more focus, it may be an area of expertise we can do something with. It might be an opportunity.

Senator PAYNE—Are we already using the acronym JTC for the joint training centre?

Mr Carmody—We are not—

Senator PAYNE—I like to make sure that we keep up with Defence acronyms at the subcommittee. It is very important to us, as you can imagine.

Mr Carmody—We are having a bit of a debate at the moment. Apparently the JTC gained some prominence. The Americans refer to it as the joint and combined training centre concept, so therefore it is the JCTCC.

Senator PAYNE—That is a lot of Cs. It is important to overcomplicate it, isn't it, Mr Carmody?

Mr Carmody—We are doing our best! The folks who are in Hawaii today will probably see whether we can come up with a standard acronym—hopefully, we are not investing a great deal of time in this—that we can use.

Senator PAYNE—I would like to see your evaluation of the time expended on that.

Mr Carmody—Hopefully, it will not be very much. I think the Americans really wanted the notion of 'combined' in there as well, indicating that it was a joint activity across services and a combined activity across nations as well. They wanted that in the concept somewhere, which gets back to your earlier point.

Senator PAYNE—All of that was me going to say that I noted your point that in relation to the JCTCC high-end war fighting rather than nation building was really the start-up priority. I understand that, but I would emphasise that there would be a great deal of interest in the development of concepts around nation building and peacekeeping operations.

Mr Carmody—I agree with you.

CHAIR—Our interoperability is terribly important, as we have spoken about this morning. What drives that interoperability, the level of cooperation that we do have with the United States and the numbers of joint operations that we are involved in? What keeps us in there at the highest levels?

Mr Carmody—I think there is a bit of 'chicken and egg' in that in reality. The very professional performance of our special forces in Afghanistan led to some intangible benefits in an interoperability sense, such as the employment of our special forces in Iraq. There was a strong desire to use our special forces again because of the capabilities they had and how they actually worked. They worked very closely with the United States in Afghanistan. The true response is that one feeds off the other. The more we exercise together—in things like Tandem Thrust, for example—and demonstrate the professionalism of the Australian Defence Force in comparison to the professionalism of the US defence organisation, and the more they see those things the more they send a message each time. When we are exercising with them they will frequently turn up with box X and say, 'We're now doing it this way.' And suddenly the concepts start to evolve, you start to work more closely and you get access to more things just inevitably—not because they have been withheld but because new concepts evolve and we start to work together very closely.

I suppose my long answer is that one feeds off the other. The closer you are, the more interoperable you can be. The more you demonstrate your professionalism, the more interoperable you can be. But you cannot be interoperable if you do not have the systems and the capability, because the interoperability stretches from sharing ammunition and logistics systems all the way through to command, control and intelligence. So I would argue that they are almost inseparable. If we did not exercise with the United States at a high end bilaterally, we would have less opportunity to be interoperable than we currently have. We get a lot more, though, from our current war-fighting activities, but that will certainly diminish and exercises will become far more important once again.

Air Vice Marshal Clarke—If I could just add one small dimension, our access is driven as much by the professionalism and trust of our people in key positions in the US environment. For example, the Australian who headed the maritime interception force in the gulf during the Iraq war commanded that entire combined fleet—US, UK, Australian and other vessels. He had absolute access. In a recent public article that he wrote, he said that in the first week or so he was clearly on trial. But he passed that test and as a result of that his access was completely clean and available. As Mr Carmody said, once you have gained that trust, that level of access just flows

from it. Then the new ideas come out of that, which then drive the front end of the interoperability process to give us more professional people to continue to be credible as circumstances go on.

CHAIR—So it is fair to say that if we were not there we would not have built that trust.

Air Vice Marshal Clarke—Exactly.

CHAIR—So we have got to be there to build that trust and get that access to the interoperability between Australia and the United States.

Air Vice Marshal Clarke—I think that is well paraphrased. I think that is exactly the way to put it.

Mr Carmody—In the past, when we have not been war fighting together, we have been there on exercises together. The same thing applies. When their forces are testing their professionalism against someone else’s, or benchmarking themselves, we are there to do that as well. I think that will come around again. So it is operations but it is also exercises and the complete gamut of military cooperation.

CHAIR—That was in Afghanistan with the maritime interception force and currently now also in Iraq.

Mr Carmody—You are right.

CHAIR—So there is an important element of trust and the level of cooperation we get because we have been part of these joint operations.

Mr Carmody—That is very true.

CHAIR—As for the level of involvement we currently have in Iraq, we are still there professionally considered by the United States.

Air Vice Marshal Clarke—Putting our people in key positions not only sustains the understanding of the complete operational scenario, which gives a better method of employing our own force elements, but it also continues to enable us to establish this ongoing trust arrangement under duress.

Mr Carmody—The key positions issue is interesting. I am convinced that my colleagues from the United States think there are more Australians in Iraq than there are. I do think it is a consequence of our very high profile. We are very visible. We have key people in key places, and they are involved therefore in principal meetings and making decisions. So we are highly visible for what is quite a small footprint.

CHAIR—And they are in key positions making key decisions.

Mr Carmody—When the key decisions are made, they are there so they contribute and they have access.

CHAIR—So that involvement really is invaluable from the point of view of training and ongoing interoperability and, if we were not there, we would start to lose that. There is obviously a confidence there.

Air Vice Marshal Clarke—As Mr Carmody pointed out earlier, we do and have done joint exercising over time. That establishes the baseline upon which you can then go to operations. If you did not go to operations, the exercising does give you a level of access and understanding, but there is no doubt that it is improved as you do that under duress, which you may not get in an exercise environment.

Mr EDWARDS—I want to refer you to the Returned and Services League submission. One thing they say is that the RSL:

> ... believes most strongly that it is mandatory that Australia maintain absolute independence in any matter or action within the alliance and that the US Government and its planning and executive bodies, civil or military, are clearly aware of this independence in thought, word and deed.

Obviously this is an issue which is of some concern not just for the RSL but more broadly for a number of people in Australia. Bearing their statement in mind, on page 7 of your submission you note that 'the US faces challenges in managing regional sensitivities'. How do regional neighbours view US engagement and presence in the region, and how do they view Australia's alliance with the US? Do our neighbours see Australia as being independent, or do they just see us as following the US alliance without that level of independence about which the RSL speaks?

Mr Carmody—There are a lot of questions in there.

Mr EDWARDS—A lot of implications for a start.

Mr Carmody—There certainly are. Let me try and make a fist of working my way through them. In an operational sense working with the United States, we worked and still work very, very hard to maintain our independence—everything from the way we managed targeting during the war in Iraq, how we exercised our sovereign responsibilities, how we basically, if you like, had a degree of trigger control over our people and what they were doing and how they were doing it. I think that was a very real and practical example of the exercise of sovereignty, the exercise of national independence and the exercise of the government's prerogative down through CDF to the guys on the ground, in the air or in the Gulf. At a practical level that worked very well, and we in the defence organisation are very conscious of that, of managing rules of engagement and of those issues. I think we manage them well. If I can deal with that point—

Mr EDWARDS—With the operational side?

Mr Carmody—Yes, with the operational side. How does the region view the US alliance? How you view it depends on where you sit. Most nations, in my dealings, view the US alliance at least as a positive and stabilising force in the region. The countries that I deal routinely with in the region see the US as a stabilising force, and its presence, and the notion of its presence, is important for regional stability. The US not entirely but frequently takes our lead in US regional engagement. We talk about our engagement priorities. We talk about all the things that we think are important in the region: promoting good governance; protecting or preventing states from

failing; stopping their decline and trying to find ways to do that; and working, on the other side of it, to stop proliferation in the region. So we work together very closely. Some people might argue that US engagement is in some way more heavy-handed or our level of engagement is more heavy-handed. I actually think there is a bit of a mix across the region.

I do not think it is true that we are seen to be a tool of the United States. Again, the nations that I deal with in the region see us as pretty independent. We tend to make the point that we are. We tend to make the point that we have differences, and some of those differences are quite real. We have had differences of opinion with the United States on a range of issues, from the International Criminal Court to a range of others. We do have differences, and those differences are quite clear. When we are representing our own interests in the region, we make the point that we are sovereign and do have differences. But, at the moment, many of our interests are shared, and because many of our interests are shared we should not be backward in promoting them, just because somebody might draw the conclusion that they are also someone else's interests.

To summarise, my perspective is that reasonable-thinking nations in the region—and I do not think everybody always agrees because people have different perspectives—see the US role as stabilising and see our role with United States, or their role with us, as complementary but see our role differently. I know that the United States is envious in some ways of our ability to interact in the region in places where they cannot. We have been very successful in Vietnam, for example. We have continued to be very successful in engaging Indonesia, where the United States has had less success. Some of our smaller cooperative activities out on the Pacific islands differentiate us very clearly from the United States and others. Our activities make it quite clear that we have a national agenda, a defence agenda, which is sometimes similar to theirs but different and, in fact, more engaged.

Mr EDWARDS—Mr Carmody, in your view why has the US had less success than Australia in Indonesia?

Mr Carmody—Congressional limitations on IMET, on US military support in Indonesia, has probably been the critical factor. We have maintained our constant engagement with Indonesia through the difficulties that we experienced with East Timor and beyond. We still have what I would call a very close relationship with Indonesia. Occasionally there is a bump, but it is very close. We exchange students and officers. We have staff college exchanges. We have exercise activities where we can. There have been some areas where we have consciously drawn the line and decided not to pursue it, and I think, by and large, that has worked well with the Indonesians. I think the United States has probably been unable to do that. It was almost all or nothing for them, whereas—this might be overstating the point—for us Indonesia is not just another country. Indonesia is very important to us, so we work hard on managing the relationship.

Mr EDWARDS—In its dealings within the region do you think that the United States is as aware of the sensitivities that it needs to have in relation to Australia's position within the region?

Mr Carmody—I think so. I do not see us trampling on one another's sensibilities in any way. As I indicated earlier, I think our activities are pretty complementary. We have knowledge of each other's exercise programs. We obviously do different things in the region and we have

different interests and we do not always tell each other everything that we are doing—that would make no sense. We are very much in the business of promoting our own interests, but they coincide so readily. I am not quite sure if that answers your question or what the point of your question was. I believe that we are very complementary and that, by and large, we work together very well.

Mr EDWARDS—What do you see as some of the key US security initiatives in the Asia-Pacific region?

Mr Carmody—The US has had a number of security initiatives. In recent years, in the context of the global war on terror, it has been promoting the counter-terrorism capabilities in the region—in places like Malaysia and elsewhere. It is also very interested in helping the Philippines resolve things like the Abu Sayyaf terrorism problem. I think that since 9/11 a lot of US interest in the region has been on the global war on terror. It has also been on proliferation, and cooperation with everybody, including us, on proliferation security. I think those are the two things that are driving them in the region.

Mr EDWARDS—I just have one final question. How do countries in the Asia-Pacific area view Australia's dialogue with the United States on missile defence?

Mr Carmody—Again, it depends on where you are I suppose.

Mr EDWARDS—Well, we are right in the middle of South-East Asia.

Mr Carmody—That is true. Some of the views are quite conflicting. For example, we have heard differing views from Indonesia. There have been some comments from the Indonesian Coordinating Minister for Political and Security Affairs, Bambang Yudhoyono, and there have been positive views from General Sutarto, the commander of the Indonesian armed forces. He said it was not such a bad thing. I am paraphrasing him but his view was positive; some other views were less than positive. I think Singapore has been quietly supportive.

I probably have with me some indication of what some of them have thought. The views vary. China has expressed a little bit of concern about missile defence developments by the United States but it has certainly toned down its rhetoric in recent months. Indonesia's public statements have been contradictory, as I indicated. Singapore has had very little to say, probably because they do not really perceive a missile threat. They probably have very little interest, given their geography. The North Koreans have not said much but I do not expect them to say too much.

Mr EDWARDS—No, you would not.

Mr Carmody—As they are a proliferator, you would not. I suppose the Republic of Korea decided not to participate in the US ballistic missile defence program, saying that their geography is too close and that Seoul is too close to stop a short-range missile attack, anyway. The Japanese are very pro missile defence. I do not have a view from the Philippines. More broadly—and jumping out of the region—the Canadians are very supportive and the United Kingdom is obviously very supportive. The European states of Germany, the Netherlands and Italy are inside the missile defence concept. Once you start looking at it all, including South-East Asia, I think the views are more positive than negative.

CHAIR—I will just go back to Iraq. We were talking before about Australians in key positions in Iraq. I was not aware of that but it is good information. Obviously it is all part of the Australia-US cooperation and the trust we have built between the Australian troops and the United States. If we were to withdraw from those positions, who would fill them? If we were to withdraw without a dialogue with the US administration, what would that mean for our relationship with the United States?

Mr Carmody—Somebody else would fill them if we were not there. That is the first point. The positions have provided us with good influence, good access and an ability to shape outcomes. As I said to Senator Payne before, in many ways we have helped to shape the defence outcome in Iraq. We also have people as part of the development of the new Iraqi army and the new Iraqi navy, and we have people outside of the Defence portfolio in other elements of government, I believe, doing similar things, so Australian involvement is quite broad. I suppose, from a purely defence point of view, both the exposure and the experience we gain by having people in those positions are extremely useful to us. It gives us the interoperability benefit that we have canvassed extensively, and it gives us an understanding of US thinking. It provides our officers and men and women with real-time experience and exposure that you just do not get anywhere else. We rotate them through—six monthly, Kerry?

Air Vice Marshal Clarke—Typically, yes.

Mr Carmody—So we gain experience and exposure. The short answer is that, if we were not there, other nations would be called upon to fill it.

CHAIR—What would be important is a dialogue with the administration if we were to withdraw from Iraq, to maintain the trust in the relationship that we have?

Mr Carmody—I think we have established a high level of trust, and we have a very high level of dialogue at the moment. We run a dialogue when we are seeking to place people into positions. In fact, they come out and say things like, 'We've got a couple of positions available; could you put someone here.' I think it would be incumbent upon us to have a dialogue if we were not filling in or if we were proposing to withdraw people. But that is as much good manners as policy.

Mr NAIRN—With respect to space based systems, do our defence forces use US-controlled space systems or are other foreign-controlled systems involved?

Air Vice Marshal Clarke—Yes, we use both. For example, our Optus C1 satellite, which was launched about a year ago now, is Singapore owned, and we bear communications across that platform. Others are US based. Then, of course, there is the intelligence system, which is more broadly US based, upon which we draw rather than particularly use.

Mr NAIRN—Do Defence use the French remote sensing satellite systems at all or is that more of a commercial arrangement?

Air Vice Marshal Clarke—I would suspect that the only use it would have for us would be as a commercial product for a particular event. I could not answer that more specifically.

Mr Carmody—Mr Nairn, we only buy the service. Like some others, if we required something we could purchase it. To the best of my knowledge—and I am pretty certain I am right—we do not draw on that system routinely in a defence context. If we wanted to, if our imagery organisation wanted something, I am sure they would go to that provider or to some others and just get hold of it.

Mr NAIRN—Some people say we ought to have even some limited capability ourselves, but that would be extremely expensive. Can and do we have some input into space based systems from Australia, from a technology point of view, or are we just a straight user?

Air Vice Marshal Clarke—The Optus payload was certainly ours. It was funded by Australian dollars.

Mr NAIRN—What about in the US systems?

Air Vice Marshal Clarke—In the US systems we have influence as a customer, not as a provider of service. In other words, we leverage off their systems. That has been very cost effective for us over the years. There is no way we could replace even a fraction of that capacity with indigenous systems. As you point out, they are extraordinarily expensive. In husbanding our budget, I tend to focus on those things that I cannot get a redundant service from.

Mr Carmody—There are also a few Australian companies that find some involvement in that business, such as Auspace and Electro Optics, and those companies that try to find opportunities in that market as well. But I do think that it is a very expensive market and a very expensive provision of service. At the moment, intelligence arrangements notwithstanding, I think we are better just drawing from the service and buying it than trying to develop and own it.

Mr SOMLYAY—I want to go back to the situation in Iraq. Exactly how many troops have we got over there? How do we rotate them? In what areas are they involved? Can you give us some information on that?

Air Vice Marshal Clarke—I do not have that information off the top of my head. We can provide that specific data for you, to get it right.

Mr Carmody—Do you want absolutely accurate numbers or are you happy with a round figure?

Mr SOMLYAY—Just give us some idea.

Mr Carmody—We can give you a round figure. There are around 800 to 850.

Air Vice Marshal Clarke—The number in my head is 862.

Mr Carmody—That is pretty accurate.

Air Vice Marshal Clarke—I do not want to guarantee that, so 850 is a pretty good number.

Mr Carmody—If you look at capabilities in the broad, a frigate in the Gulf would consume about 250 troops. Kerry will pick me up on this if I am wrong. There are a couple of C130s. A C130 Hercules has about 130 troops.

Air Vice Marshal Clarke—The air traffic control detachment in Baghdad has almost 100.

Mr Carmody—There are also the security detachments.

Air Vice Marshal Clarke—There are P3 detachments and security detachments specifically. In addition to that we have digital positions, such as some lawyers in key components of both the administration and the defence organisation. I believe there are some other positions.

Mr Carmody—There are a few other rats and mice positions, which are small numbers of people spread around in ones and twos in headquarters and postings. If you look at the other big numbers, the P3s have about 150, the security detachment would be in excess of 80 and then there is a headquarters element which, to my recollection, is about 60. I have not actually done those numbers, but it would get pretty close to that number we were talking about. If you are happy with that, that is a ballpark figure.

Mr SOMLYAY—I am happy with that. What about the rotation?

Air Vice Marshal Clarke—It is typically six months, although there are some exceptions to that. For example, the P3 crews come in and out in a shorter period. The air traffic controllers stay for six months. Similarly, our ships change as well. It is six months for the ship, but the crew will have rest and recreation during that period.

Mr SOMLYAY—Do they return there for a second tour?

Air Vice Marshal Clarke—There will have been ship crew members, I am sure, who will have been back for a second tour because, as you will recall, the maritime interception force has been going for a long time.

Mr SOMLYAY—Yes.

Mr NAIRN—Are there any engineering people involved in power, water or sewerage reconstruction?

Mr Carmody—No.

Air Vice Marshal Clarke—Not specifically from the Defence Force, as I understand it. We did have some people who were out working in administration of those services. I am not sure of the current status of that.

Mr Carmody—Yes. I do not think we have. To clarify those smaller positions I mentioned, I think the new Iraqi navy group is about 10 or 12, and there are a few people helping with the training of the new Iraqi army. That is probably about four or five, so it is low numbers. But I think when you put that together it will probably bring us into the mid-800s. On the engineering

question, no, it is not one of the contributions that we made. Some nations have provided particular niche capabilities, and that is not one that we have provided.

Mr SOMLYAY—Thank you.

CHAIR—Since there are no other questions, I will just thank you for your attendance today. If you have been asked to provide additional material, please forward that to the secretary. You will be sent a copy of the transcript of the evidence, to which you may make corrections of grammar and fact. Once again, thank you.

Proceedings suspended from 10.51 a.m. to 11.05 a.m.

DOOLAN, Rear Admiral Ken (Retired), National Defence Committee Member, Returned and Services League of Australia Ltd

ESSEX-CLARK, Brigadier John (Retired), National Defence Committee Member, Returned and Services League of Australia Ltd

TITHERIDGE, Air Vice Marshal Alan (Retired), National Defence Committee Member, Returned and Services League of Australia Ltd

CHAIR—I welcome representatives of the Returned and Services League. I thank you for having your day rearranged and fitting in earlier in the day. That was very much appreciated. Someone withdrew this morning, and we appreciate the fact that you have been able to rearrange your days to be with us this morning. Although the subcommittee does not require you to give evidence under 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. Would you like to make an opening statement to the committee?

Brig. Essex-Clark—Yes, I would. Thank you for your welcome, Mr Chairman. I would like to add that all three of us have both seen operational service with the United States and served with them in peace, so we have some background in that area. The Returned and Services League thanks the committee for allowing us the opportunity to put the RSL's views on this vital security issue of Australia's defence relations with the United States. As the nation's primary body representing the views of the veteran community, we hope that the result of your inquiry will lead to improved security for our nation. To accord with your guidance to witnesses, I will summarise the material within our submission that deals only with the nine specific items or focus points in your terms of reference—time prevents me expanding on the other eight matters that the RSL chose to bring to your attention—which will take me about eight minutes.

The first focus point was the applicability of the ANZUS treaty to Australia's defence and security. The ANZUS treaty has been a cornerstone of Australia's defence and security arrangements for over half a century. In the opinion of the RSL, it is just as important now and into the future as it has been in the past. Although its terms do not provide an absolute guarantee that the USA will come to the aid of Australia in times of threat, the treaty continues to ensure that Australia enjoys considerable defence and security benefits. These range from the deterrent effect of the treaty on nation-states or organisations threatening Australia to the benefits of access to security information and defence equipment sourced from the United States.

The second focus point was the value of United States-Australia intelligence sharing. The advantages of this sharing are far greater than any disadvantages, and the RSL asserts that there is considerable value to Australia in this longstanding agreement. The main value to us of this arrangement is that our resources dedicated to intelligence can be focused on specific areas of threat that are of immediate interest to us. This results in better intelligence than if the resources had to be allocated over a much wider range of defence and security threats. Both nations benefit from this intelligence sharing. The United States obtains high-value and trusted intelligence from us about threats, on which it does not have to expend resources. We benefit by having access to intelligence that we could not obtain without a massive increase to our intelligence resources.

The disadvantages of sharing are that there may be a too-ready acceptance of each other’s intelligence at times. Politicisation of the shared intelligence may not be apparent. As a result of that, Australia’s national interest may be diminished if we too readily accept the views of the US or any other allied nation’s intelligence perspective.

The third focus point was the role and engagement of the United States in the Asia-Pacific region. In global terms, the RSL considers the ongoing strategic engagement and presence of the United States in the Asia-Pacific region a significant and ongoing stabilising factor. The role of the USA in this region is threefold. First, it has long been one of ensuring the safety and security of its own states and territories—for example, Hawaii, Alaska and Guam. Second, it is one of supporting friends and allies, notably South Korea and Taiwan. Third, in recent times the United States has played a secondary but nonetheless vital role in assisting the multinational peacekeeping operations in East Timor. For these reasons, the RSL considers the role and engagement of the USA in the Asia-Pacific region to be entirely beneficial to Australia.

The fourth focus point was the adaptability and interoperability of Australia’s Defence Force structure and capability for coalition operations. Australian governments of all political persuasions have supported a policy of ensuring that significant elements of the Australian Defence Force structure are interoperable with the forces of our major allies and are easily adaptable for coalition operations. Recent events, notably the peace-enforcing operation in East Timor, the United Nations operations against terrorism in Afghanistan and the multinational invasion of Iraq, have all demonstrated the benefits of this policy. For these reasons, the RSL continues to support this policy.

The fifth focus was the implication of dialogue with the United States on missile defence. It is possible that rogue states or international terrorist groups could launch missiles at Australian targets. The defence against this may well depend on antimissile systems deployed on our warships close to our coasts. Therefore, the RSL considers that this and other defence measures against these possible threats should continue to be investigated. The negative implication of this dialogue with the USA on missile defence suggested by some, destabilising and causing concern to Australia’s neighbours, is not agreed with by the RSL. The systems being considered are entirely defensive and can easily be explained to other nations by patient and wise diplomacy.

The sixth focus point was the development of space based systems and the impact this will have on Australia’s self-reliance. The RSL considers that Australia should not accept any antiballistic missile system, whether space or surface launched, that negates Australia’s ability to control the system when Australia’s interests are at stake. The seventh point was the value of joint defence exercises between Australia and the USA such as RIMPAC. The value of such exercises is immense, both in terms of the experience gained during the exercises—in planning and during—and in terms of effective interoperability of Australian forces with those of the USA in time of war. This value was demonstrated in the UN naval blockade and multinational invasion of Iraq.

The eighth point was the level of Australian industry involvement in the US defence industry. On that I have nothing to add to what we have written in the submission. The final point was the adequacy of research and development arrangements between the United States and Australia. The RSL supports and encourages the development of stronger and closer ties between Australia

and the USA in research and development for items which have any potential to add to the future security of our nation.

In conclusion, Mr Chairman, I say that this input to your committee represents the views of many Australians who have taken up arms for their nation and who contend that there is a need for Australia to stay militarily strong to cope with a very uncertain future. For the reasons I have cited and elaborated on in our submission, we consider Australia has excellent defence relations with the United States. It is in the very best interests of our future national security that this relationship be maintained, nurtured and strengthened. We would now be delighted to respond to any questions or comments you may have.

CHAIR—Thank you, Brigadier. I might open the batting with questions to do with ANZUS, which is the first area that you touched on. You commented in your submission that the ANZUS Treaty is entirely applicable to Australia's defence and security interests now and for the foreseeable future. Would you like to expand on the benefits of being in ANZUS? We have been signed up for nearly 53 years. Would you like to expand on that both on behalf of the association and on the basis of your own experience?

Brig. Essex-Clark—I will start with the Army. We have found that there are benefits in understanding their doctrine, and any pertinent aspects of that doctrine that may be relevant to ours can be adopted where they are considered valuable. I think we all know that we have purchased many weapons of great value to our efficiency on the battlefield and our ability to operate and win in war. To add to that would just be fluffing it up. From the point of view of ideas and equipment it is extremely valuable. Also, the ANZUS Treaty allows us to think together in an interoperable way in order to develop the means whereby we can work together to win in war when the need arises.

CHAIR—Some of our members posed the question: we talk of ANZUS from our point of view, in terms of the relationship between Australia and the United States; obviously, with the difficulties New Zealand has had with it, do you see that as a problem or impediment?

Rear Adm. Doolan—I will speak to that last point because it is very pertinent. I will combine the answers to the two questions together, if I may. In relation to the first one, I happened to be at sea at the time that New Zealand had its problems with ANZUS and then went apart. I subsequently had the opportunity to be the Australian Naval Attaché in Washington at the time that the fallout from that particular rearrangement of the ANZUS agreement took place. It was clear to me in both those circumstances that Australia gained an enormous benefit operationally in the maritime field—and indeed, I could say, across the entire wide defence field. To give you an example, the sheer editing out, if I can use that phrase, of New Zealand forces from ANZUS exercises has clearly diminished their capability. If you are going to have an operational maritime force which can be sent into harm's way by the government of this country, you need to have that force as highly capable as you can get it.

You get it to a highly capable state by ensuring that you are able to interoperate with the major player in the alliance. You get to that stage by being invited to participate with them in exercises—and, indeed, as experience has shown us in the recent operations in the Gulf, by being allowed by that other part of the alliance to put some of your people in command of joint forces. That is a very important thing from the point of view of experience and it is a very

important underlining of the shared trust and capability. I would suggest to your committee that that capability has waned in the New Zealand forces as a result of that. Certainly, it was my experience when last at sea that, as far as maritime forces were concerned, the New Zealand forces had suffered as a result of not having that access to operations with the major part of the alliance. Those are the principal reasons that I believe on behalf of the RSL that this alliance is vastly important to the future security of Australia.

Air Vice Marshal Titheridge—Most of the points have been covered by my colleagues but, to add an example, treating the alliance as the underpinning of our relationship and many other issues covered in your terms of reference, during the recent Iraq operation we took tactical fighter aircraft to war for the first time since Korea. Because of the ANZUS alliance and all that underpins it, issues such as doctrine, tactics, technology, training and exchanges enabled us to keep abreast of modern operations such that when that did happen after such a long sojourn the operation was very successful.

CHAIR—You said in your presentation that a cornerstone to our relationship with the United States is ANZUS.

Brig. Essex-Clark—In fact, Mr Curtin as the Prime Minister first said that. I have simply expressed his point of view. It is most important to remember that. In a recent issue of the *Bulletin*, Coral Bell said that she thought America would retain dominance in world affairs for another 40 years. I suggest that until such time as America does not have that dominance, ANZUS will still be very important to us. I think Coral Bell made a very perceptive statement there. We should be aware of that one.

Mr EDWARDS—Firstly, congratulations on your submission. It was very interesting reading. I was particularly encouraged to read your reinforcement of the absolute independence of Australia within that alliance with America. It is very important. I want to turn to the issue of interoperability, because it is something we have heard a fair amount about and it seems to be something that has much influence on the way that we are going in terms of a whole range of things to do with defence issues, including procurement. I gave an example this morning to the Defence people who were here in relation to the purchase of the Abrams tanks. I am not sure whether you are aware of the magazine *Contact*, which is only a new magazine in Australia but is a very good military based magazine. They did an assessment comparison between the Challenger, the Abrams and the Leopard tanks. In that assessment, the Leopard came out quite favourably in comparison to the other two. The editor posed the question, ‘Which tank do you think I would recommend?’ He said, ‘If you thought the Leopard, you would be wrong, because in terms of interoperability I would recommend the Abrams.’ I want to get your view as to how important you see the issue of interoperability being as opposed to other considerations that we have to have when we are procuring major items for the Australian defence forces. Where do you see it?

Brig. Essex-Clark—First of all, a tank is there to provide—

Mr EDWARDS—Whether it is a tank or any other item.

Brig. Essex-Clark—When you mentioned the tank I thought you might want to get onto the Abrams. Okay. From an Army point of view, there is no way that we could operate with United

States forces—or with most NATO forces for that matter; if, for example, we were in Bosnia or somewhere like that—if we did not have systems that allowed effective interoperability. In other words, we can understand each other, work together and work as a team. As in any organisation, if you do not work in a team, you are going to collapse. Interoperability allows that. From an Army point of view, we just could not work without it. Also, once you have interoperability with your allies, you set up doctrines and systems within your own organisation that improve your interoperability between artillery, tanks and everything else. It is all part of what they now call network centric warfare, although I am starting to call it network eccentric warfare, because it is going mad. Anyway, I will finish on that.

Rear Adm. Doolan—Perhaps I could take it up from there and treat it in general terms. There are four points I would pick up on in that question. The first is communications. If you cannot communicate in whatever fashion you communicate in for military operations, land, sea, air or whatever, you are not able to do your job. Interoperability is absolutely crucial. That means making sure during procurement processes that whatever you are purchasing is going to be interoperable with those with whom you expect to operate. There have been classic cases through the years of military forces that have not been able to interoperate not only with other forces of other countries but even within their own forces. That is an absolutely crucial point.

The second point is logistics. You are operating in the field, at sea and in the air from airbases in nearby territories. If you have a large degree of interoperability with whomever you are working with, logistics makes a heck of difference. Certainly, speaking from the maritime point of view of Vietnam and since that time, having ships that have interoperable parts means that they have a spare part next door to you and you do not have to send back to Australia to get one. It makes an enormous difference.

My colleague has touched upon the third point briefly. It has to do with doctrine. Doctrine is the underpinning of all military operations. If you understand the doctrine and have an agreed doctrine, or at least a doctrine where people sign on to things and you are able to work with them and work through the differences, again, it makes all the difference. My understanding of recent operations in the Gulf was that, because our doctrines were fairly closely if not absolutely close together, where there were differences, and there were, those were able to be worked on very quickly.

The final point I would make is one of sheer planning. If you understand the minds of the others with whom you are working, it makes the planning process very much easier. Let me give you an example of that. When we had a loose coalition of forces deployed during the Gulf crisis there were significant planning difficulties with the various nations represented there. Once it got to the stage of actually coming together as a coalition of forces that went in during Gulf War I, the planning was on the basis of what was beneath the overall umbrella of—if I can call it—interoperability as practised by the ANZUS forces.

Air Vice Marshal Titheridge—The only thing I would add further to my colleagues is that there is a lot more to interoperability than just the equipment. In fact, I would suggest that all those other aspects: doctrine, tactics, training, communications, logistics, planning and understanding of how your coalition partner fights at both the tactical and the operational level are in some respects more important than the actual equipment.

Brig. Essex-Clark—One other thing I would add to that is that one of the things we are all fearful of is fratricide. If you do not have interoperability, you are leaving yourself wide open for fratricide—being hit by friendly fire. Interoperability allows you the techniques and the doctrines to prevent that. You cannot prevent it altogether; it happens. But at least it will reduce any fratricides that could be caused by a lack of an understanding of interoperability.

Mr EDWARDS—What impact do you see the issue of interoperability having on Australian defence industries?

Brig. Essex-Clark—I remember studying this and looking at everything I could find. I found that our problem was, because we did not understand what the Americans wanted in the way of defence equipment, that we could not build into our equipment the interoperability requirements they had even within their own forces. Until our own defence industries match in with the needs process within the US military, we will never be able to conform with what they need. That matching in is almost a governmental decision to make sure our defence industries can match in with their whole process of what do they need in the military way and what can we produce. If we know that, the interoperability aspect of it will be built in to any equipment that we can develop.

Rear Adm. Doolan—We have classic examples of interoperability in the defence industry which have taken place over the last decade and are ongoing at the moment. There have been quite significant interoperability issues worked through with the United States of America between defence industries in the Anzac ship project and in the Collins submarine project. I think I am correct in saying also in the P3 upgrade project but my colleague will speak to that and various others. I am sure that anybody in defence industry at the moment knows full well that interoperability is part of the deal.

Air Vice Marshal Titheridge—I support that. I have nothing to add.

Senator HUTCHINS—Gentlemen, on page 5 of your submission you commented that there is ‘current incompatibility in the application of the laws of war’. I wonder if you would like to expand on this point.

Brig. Essex-Clark—As a defence committee, we looked very carefully at how our signing the Geneva protocols would affect our ability to fight. We looked at the ways and means in which people would be looking over their shoulder and always having a lawyer next door to them so that they could understand what they could do, which is happening now anyway. We thought that, because the Americans are probably using a set of values as to what they are doing in war different from what we would be using because we are looking at different rules from the point of view of the legal aspects of it, we would find interoperability in that area to some extent difficult. When we first put in our submission, we said, ‘Be careful if you sign this, because we think we could run into trouble.’ However, since then, it has been solved by the simple process of red carding anything that the Americans want us to do which we do not feel that we legally can do within the protocols. That was the problem we faced, but the red card system seems to overcome that.

Rear Adm. Doolan—I will add a little bit to that in terms of the actual circumstances. We are really dealing here with interoperability within the ANZUS alliance. When we operate under

those circumstances, Australia's military commanders are always very conscious of the fact that we operate under the authority of the Australian government of the day, and the Australian government of the day issues for all operations its rules of engagement. Those rules of engagement are in accordance with the Australian government's policy and of course its international obligations. Where there are differences with any nations under whom we may be for the time being operating, we ensure that we adjust accordingly. Let me give you an example of one circumstance which happened in Gulf War I. On one occasion the tactical commander of the maritime forces required HMAS *Success* to move forward into an area which we felt was an area in which that particular support ship would not be appropriately placed. We declined the offer. The British also declined the offer. Eventually the Americans sent one of their own ships. It is that type of thing. In other words, there is no way that in military operations any commander gives away the national overall command rights. That is underpinning what we are talking about.

Air Vice Marshal Titheridge—I think it is worth while following that up by saying that in any coalition any nation always maintains a national command chain to its forces even though they might be operating under the tactical control of someone else. Australia religiously enforces that and has used it, as you just heard, in Gulf War I. I am also aware that it was used in the recent Gulf operation.

Senator HUTCHINS—Thank you; I just did not quite understand the red card concept, Brigadier.

Brig. Essex-Clark—If the Australian commander of those forces that are requested to do a certain task believes that it is not within our legal competency to do so—he might get advised by a lawyer as to that—he can red card it and say no, as the admiral just said.

Rear Adm. Doolan—It is the analogy of the football card.

Brig. Essex-Clark—Do you understand soccer and the red card, Senator? It is the same thing.

CHAIR—You are probably an AFL man, are you, Senator Hutchins?

Senator HUTCHINS—No, rugby league and union.

CHAIR—So he is a league man.

Brig. Essex-Clark—I am sorry about that, Senator Hutchins. I do not play soccer either but I understand what soccer is and it comes from the old red card in soccer—'Off!'—and 'We're not going to do it.'

Rear Adm. Doolan—Effectively the national commander says to the overall joint commander, 'Australia's forces will not undertake that task for these reasons.'

Senator HUTCHINS—You said there had been instances in Gulf War I and recently.

Brig. Essex-Clark—Yes, we have been told that; we do not have first-hand—

Senator HUTCHINS—I understand. Does that impact on our relationship with United States? Does it make their overall command angry with us that we are not prepared to go that extra step with them, or do they accept that they are our rules of engagement and that is it?

Rear Adm. Doolan—The answer is that the United States senior command understands this very clearly because we have been practising it for very many years. The answer to your question is no, it does not impact at all. One of the benefits of having a longstanding relationship in an alliance is that personal knowledge of the opposite commanders plays a large part. We have usually met some of these people earlier in our careers; we have usually talked to them before. We get into operations—and I hark back to the words I used before about planning—and there is now a well-established trail whereby, as things are developing, plans are being put together and our people are involved in the planning from the word go. We are not an unknown quantity; we do influence the planning, and one of the things we are able to put forward during that planning process is that we will use this national need if need be, from time to time. Obviously, every now and again there will be some slight disagreement about that, but the United States commanders understand it very clearly. Actually, I think it has only strengthened the relationship.

Senator HUTCHINS—In the exchange between the staff colleges and operational officers and all that, is that one thing that is highlighted—that is, what might be the potential differences in the Australian government's protocols?

Brig. Essex-Clark—I cannot say empirically that it is, because I have not seen a program recently from any of the staff colleges, but I should imagine that it would be, particularly these days, as it has become far more pertinent in our operations. I think it would definitely be so now.

Air Vice Marshal Titheridge—My experience is that it is. I would also add that, because of the strength of the alliance and the strength of the relationships that the Admiral referred to, before we go into a coalition operation we are able to get people into key positions in the headquarters so that they can actually see what is going on and influence the planning accordingly. So it is not just getting to the stage where the red card has to be used; you can actually influence the way that the coalition leader conducts an operation.

Senator HUTCHINS—But you mentioned a lawyer. You do not actually have a crew of lawyers around advising you, do you?

Brig. Essex-Clark—Yes, I think they do now. Yes, that is what we were told.

CHAIR—You have to keep them employed somewhere!

Brig. Essex-Clark—You cannot fight a war without a lawyer now—you cannot run a parliament without lawyers now!

Senator HUTCHINS—Some of us try.

Senator PAYNE—Thank you very much.

CHAIR—We only have one lawyer here, and that is Senator Payne.

Rear Adm. Doolan—In all seriousness, the legal advice to the commander has been a very important part of what goes on for a very long time. I will just give you an example of that. Prior to Gulf War I, at the beginning of the Gulf crisis, as the Maritime Commander Australia I sought and gained a great deal of legal advice about the international law of the sea and the international law of war to ensure that the advice that I was giving to the people above and below me indeed had legal backing. The provision of legal advice to military commanders is a vastly important part of military operations and will continue to be so into the future.

Senator HUTCHINS—Thank you.

Mr SOMLYAY—My question is along the same lines. In the Iraq war there were instances where we had our aircraft in the air and they did not follow through with some targets because they had a problem with them. Would that decision have been taken at operational command level or by the pilots in the air?

Air Vice Marshal Titheridge—It may have been taken at either level. One of the good things about the Australian military is the understanding of the laws of war and the limitations, right from the top to the bottom of the command chain. So you would probably find—and I obviously cannot address the specifics—that (1) the commander, (2) the tactical commander on the spot, and (3) the pilot involved were all probably very well aware of what his limitations and freedom to manoeuvre were. It quite possibly could have been the pilot himself. It could have been at any of those levels.

Mr SOMLYAY—Thank you.

Mr EDWARDS—Just in relation to that, a couple of us had the opportunity to visit Afghanistan. We had a good briefing on the issue of the red card. One of the things that springs to mind—and I think memory serves me correctly—is that the in-country commander had carriage of the red card. It was his decision whether or not to pull out the red card. Is that an appropriate level for the red card holder or should it be something that comes from the command here, perhaps the CDF?

Air Vice Marshal Titheridge—It is better to have the in-country commander, because you need to be on the ground and know what is going on. You are given your rules of engagement by the government—and that is the sovereign control of a nation over its own forces—but the in-country commander understands the situation and he knows what his rules are. He is the appropriate holder of the red card, in my view.

Rear Adm. Doolan—I would just add that it is always open to a superior commander to jump in if that superior commander thinks it is wrong—and that happens.

Brig. Essex-Clark—Or even individuals. It is sheer commonsense in a nation with our background and I guess our ethic is not to do the wrong thing. You quite often get even a platoon commander not do something that he thinks he should do tactically because it is not ethically correct. That has happened often. Graham, you know that. We all do that anyway. We do not need a red card for that.

Senator PAYNE—I have questions in a different area—they do not involve rugby union or soccer red cards!

CHAIR—Just lawyers!

Senator PAYNE—No, not even lawyers. In fact, they involve the term of reference that pertains to the role and engagement of the United States in the Asia-Pacific region and the observations that the RSL makes in that regard. In the last paragraph of that section of your submission you say you believe that:

> ... diplomacy and logic should ensure that critics see Australia's maintenance of its alliance with the US as a commonsense security policy for relatively defence-poor nations in these times of uncertainty and not as a threat to any other nation's integrity.

They are interesting observations, because it is sometimes challenging in a region where cultural diversity is probably as broad as it is anywhere else in the world when you plant Australia in the region—and the United States overlaid on top of that, even more culturally diverse from a lot of the Asia-Pacific region. How do we actually manage effectively that balance and ensure that we are participating to the fullest extent possible with our Asia-Pacific colleagues and neighbours and balancing the priorities of the strategic alliance with the United States?

Rear Adm. Doolan—Perhaps I could start off with that one. One of the longstanding activities of the Australian Defence Force, running as long and perhaps even longer than the ANZUS Treaty, has been to engage itself with the nations of South-East Asia in particular. By 'engaging' I mean going up there with ships and aircraft and small groups of troops from time to time in exercises. In an earlier era these were conducted under the umbrella of the South-East Asia Treaty Organisation. More recently they tend to have been bilateral engagements. Of course, in most recent times, they have lapsed to some extent simply because of the engagement of Australian defence forces in other parts of the world. But that program, I am given to understand, continues and it is a very important balance, if I can put that way, to address the point that you are raising.

What do you gain out of that? You gain an understanding of each other. By training young officers together you get them to understand different cultures, different religions and different ways of operating things. One of the benefits that some of us had through the last 50 years was the fact that, in our earlier years, we trained in the same classes as people from the defence forces of that region. One of the benefits we obtain today is that numbers of their officers from those South-East Asian nations attend our staff colleges in Australia and some of our officers attend staff colleges there. It is a vastly important part of bridge building to those nations. Those people well understand the position of the United States in the Asia-Pacific region. They understand that they have been there for a very long time and the reasons they are there. Whether that transcends into the wider population is not something that I am prepared to address.

Let me give you an example of how we have worked over the years at bridge-building with those nations. In this particular example it is with the People's Republic of China. You will recall that, after the Tiananmen Square massacre, there was a bit of a dip in our relations with that country. In 1992 or 1993 or thereabouts there was a rapprochement. A group of very senior people from the People's Republic of China, chaired by one of their former ambassadors to the

United Nations, came to Australia and, with six people from Australia, sat down in a very informal way to try to repair relations.

I was one of the six on the Australian side. One of the questions asked of me by the Chinese was why we were so close to the United States of America. They did not seem to understand why we had this alliance and why we wanted to continue it. I explained it to them and eventually I said to the chairman of our side, ‘Would you ask them, please, if I could take them to the Australian War Memorial?’ That lunchtime, I took them to show them the montage and diagrams of the Battle of the Coral Sea. They stood and watched what happened in the Battle of the Coral Sea, and how the Japanese advance on Australia was turned back. Then they understood. That is an example to show that there are ways and means of making bridges between ourselves and the peoples of South-East Asia which we use from time to time. On the military side, I would suggest that we probably do have a better bridge into South-East Asia and those other nations than some other areas.

Air Vice Marshal Titheridge—I would just add to that. I think that, with the possible exception of Singapore, Australia is in a unique position for that very reason—we have good relations with the US and we have very good relations with many of our regional neighbours. There is perhaps not overt understanding in the region, but there is a lot of tacit support through most of the regional countries for our US relationship. I might also add that it is probably fair to say that our relationship with Indonesia prior to East Timor facilitated the entry of Australian forces into East Timor without loss of life back in 1999.

Senator PAYNE—Where there are what I might describe as brittle edges occasionally in the regional relationship—and you make some reference to those; some of them are based on politics and some of them are based on other things—do you think there is a greater role for the United States to play in communicating within the region themselves to help get an understanding of the importance and breadth of the US alliance, as well as Australia doing its job?

Brig. Essex-Clark—I think that is a very interesting question, but I do not think it is in our province or knowledge to answer that. Perhaps the United States ambassador, seeing that he is speaking so freely these days, might help you with that one—I do not know.

Senator PAYNE—I will tell him that you said we should ask.

Brig. Essex-Clark—I would be delighted if they did. It would improve their own image in the area. It would be great. But that is up to them, isn’t it, really?

CHAIR—You said ‘improve their own image in the area’?

Brig. Essex-Clark—If the United States wished to improve their own image in this area, I would say we would all be delighted if they did so.

Mr EDWARDS—I just want to turn to the issue of US-Australian intelligence sharing. I note your comments. It has been put to us that there is a perception amongst some allied intelligence agencies, including the US, that Australia has been failing in its sharing of the burden of

responsibilities for a number of years. Are you aware of any such perceptions? Do you have any comments at all in that area?

Brig. Essex-Clark—We have not been made aware of anything like that.

Mr EDWARDS—If there were these perceptions, do you think you would be aware of them as a national body?

Air Vice Marshal Titheridge—I think that would probably be something inside the intelligence relationship. We would not be in a position to comment. That would be my view.

Mr NAIRN—I will just come back to interoperability. Is achieving a high level of interoperability at the software level much more important than simply at the hardware level?

Brig. Essex-Clark—By software do you mean computer software or do you mean in the mind?

Mr NAIRN—Partly that but also the non-hardcore things—in the planning aspect, in communications, in working together and all those sorts of things rather than just simply buying the same type of equipment.

Air Vice Marshal Titheridge—It would be fair to say that these days a weapons system consists of hardware and software and that it is very hard to split the two apart—they are all part of the functioning of that system. I do not think that you could put a priority on either one. I refer back to our earlier comment that there is a lot more to interoperability than just the weapons system—there are all those doctrine, tactics and training exchanges.

Mr NAIRN—That is what I mean within the word software: the other skills and things. I am asking whether that, at the end of the day, is much more important than just having compatible hardware, which might include computer software.

Air Vice Marshal Titheridge—My own view is that that would be a reasonable position to take. Those other issues are very important.

Mr NAIRN—With that in mind, then, how important for the long-term development of our defence forces is it for our personnel to occupy key positions in an operation with our US allies?

Rear Adm. Doolan—It is absolutely crucial. It is something that has been invited in the past in times of peace and war. Our understanding, from the planning and operation of the most recent operations, is that Australia was invited from the outset to put people inside the headquarters which was doing the planning. That is a fairly unique sort of thing to happen. It has been developing for some time. If I reflect back 10 years prior to that, to Gulf War I, it was quite unique. As Maritime Commander Australia I had one commander who was onboard the United States Navy flagship, and we were the only other nation that had somebody actually embedded in their staff at the time. It has evolved since that time on all fronts, and it is absolutely crucial to interoperability for the key reason that you get to understand what is in each other’s minds. My colleague made a very important point a short time ago about avoiding what is called blue on blue or fratricidal type things happening—and that is one of the best ways to avoid it. You

actually get to know the other person—you know the way his or her mind thinks. That is enormously important in military operations.

Brig. Essex-Clark—If I can add to that, you probably realise that we had joint service planning staff in Tampa, Florida the whole time that they were planning the operation in Gulf War II, the invasion of Iraq. So we knew what they were thinking and they knew what we could do. They were a planning team. I think it was reinforced by others from Australia when we sent forces there. They reinforced our staff elements of the joint force headquarters. So it is essential that they do that. To come back to your first question, there has never been an absolute need for the equipment to be identical for interoperability. As long as that equipment can achieve the same effect—whether it be an artillery piece or a rifle; it does not matter whether it is American or anything—and as long as your systems and your doctrine are reasonably compatible so that you know what each is doing and how each plans, then you have achieved the important part of interoperability. The equipment does not have to be identical at all. It is nice if it is and if it happens to be the best, the cheapest and what you want to buy, so much the better. But it is not necessarily so.

Mr SOMLYAY—I want to ask this question in two parts, and I suppose it had to be asked. If we had not gone to Iraq, what would the impact have been on interoperability? Would we have been behind in the situation that we are in now? What would happen in the event of a premature withdrawal from Iraq? Would that affect the future relationship under ANZUS and the interoperability program?

Rear Adm. Doolan—The RSL view of these things is not to deal with any specific circumstance. The RSL view is to deal with the long haul, because circumstances come and go, decisions come and go, and wars come and go. We have looked at this issue from the point of view of the 50-plus years that the ANZUS Treaty has been in existence and our even longer standing relationship on a defence basis with the United States of America harking back, as my colleague said, to the dark days of the Second World War.

Interoperability with particularly the United States of America, but not exclusively, has been a very important underpinning of the Defence Force of Australia throughout that period in terms of its ability to be sent by any government at any time into harm’s way. The RSL view is not to look at the what ifs of this, that and the other, but rather to look at the long haul and say, ‘If we want to stay a secure country, it is important that we have a military force which is well respected for its capabilities in terms of its equipment, its training, its people and all those sorts of things into the future.’ So we do not look at it in terms of, ‘What if we went to this particular war?’ or ‘What if we did not go to that war?’ The reality from the RSL point of view is to look at the broad long-term view, to take it into the future. We believe it is important to underline the things we have put before you this morning.

Mr EDWARDS—I wonder whether you are aware of the capacity of the United States Special Forces. You would of course be aware of the very high regard they hold our own special forces in. There are suggestions in some areas that the United States Special Forces just do not have the capacity to do what our special forces have the capacity to do. It is one of the reasons why the United States like to have, for instance, our Special Air Services involved. Would you have any comment to make on that at all? Do the United States have the capacity, through their Special Forces, to do the job that our blokes do?

Air Vice Marshal Titheridge—I think it is safe to say that all national special forces within the special forces component have varying degrees of capability. The same applies to the United States as to Australia. I am certainly not in a position to actually compare one against the other, and it is probably something we could not do unless we were involved quite recently with them.

Rear Adm. Doolan—Could I just pick up the broader point that seems to be underpinning your question. Looking at it again from a total force point of view, one of the great things about an alliance relationship such as the one we have with the United States of America is that they understand what we have got and we understand what they have got, and you have pretty much mentioned that, Mr Edwards. That means from a military point of view you are able to complement each other's capabilities.

In Australia we happen to have some significant mine warfare capabilities in the maritime field which the United States of America do not have. They know that and therefore they will use them accordingly. It just so happened in the last Gulf War that HMAS *Anzac* was of sufficient size with a sufficient size weapon and had shallow draft so that ship was able to do things which their units could not do. It is not to say that ours is better than theirs or anything else. It is about complementarity, and the military commander is looking at it from the point of view of complementarity. In other words, if you are looking at a joint combined operation, you would be looking at who has got what capability and how it best fits together. The RSL view is not to compare things on that basis.

Mr EDWARDS—There is no comparison: our blokes leave them for dead.

Brig. Essex-Clark—There are areas where tremendous resources allow them to do things that we cannot do because they have got the money to get the gear that we do not really need for what we want our fellows to do. So from the point of view of money, they are well advanced.

CHAIR—On page 8 of your submission, you state:

> ... to improve communication and exchange of ideas, the Australian Attorney General and the Secretary for Homeland Defence in the US should attend the AUSMIN conferences.

Would you like to expand on that?

Brig. Essex-Clark—We thought the liaison that was needed between the US and Australia in looking at, for example, the war on terrorism or techniques for winning the war on terrorism, which they talk about, would be determined at the AUSMIN conference. We thought the government level was the level at which we should start so that it could be fed down to the various agencies that could use that liaison to improve their own performance, if it needed to be improved. Anything can be improved. We thought that was the level where it should start. Whether he goes, we still have to do our own thing. I thought that if that is the level at which they start then at least all the effects of that liaison will feed down to the lower levels.

Senator PAYNE—Moving to a different area, in your submission you extended your observations in relation to training and education a degree to talk about an area of Australian experience and education, namely, post-operational nation building. You observed an Australian capacity that has not been offered adequately to US strategic planners. We raised this briefly

with the Department of Defence before you joined us in the committee room. How do you think Australia could advance your proposition to raise the interest and attention of the United States in that?

Brig. Essex-Clark—First of all, Australians and the Australian Defence Force have a lot of experience in nation building, whether it be way back in Malaya in the 1950s or what we tried to do in Vietnam, which was not too successful. In Vietnam we did try to rebuild the country when we were there, in Phuc Tuy Province, for example. That is an early example. Timor is a classic example where we are still trying to help them get on their feet. Your question is how that could best be done, is it?

Senator PAYNE—How can we interest the United States in going down that road as well and taking advantage of Australia's capacity?

Brig. Essex-Clark—Perhaps we could just be cheeky and say, 'We'd like to help you.' I do not know whether they would take any notice of us unless we could give them classic examples, which we can do in East Timor. I would suggest that it is outside the military level; it is more on the public relations side. Government could project something to them and say, 'These are the lessons we have learnt and this is our doctrine in relation to this. Are you interested?' It may be that we could run some training on that level. I do not think we are doing it at the moment. It might be part of training at staff colleges but that is about all.

Senator PAYNE—This morning Defence observed—I would not endeavour to verbal them; it will be in the *Hansard* record—that in the example of Iraq that you used in your submission there had been some discussions preparatory to that process with senior US officials who were going to be in that role in Iraq. One is never sure how much is taken up and how much is actually implemented. It is quite hard to evaluate at that level.

Brig. Essex-Clark—The danger in any of this is to do our own little bit and not think about the whole. If you are looking at Iraq you are looking at a whole nation. Whether we are trying to assist a little bit of their army or their police force to develop it becomes very small and almost irrelevant in the whole unless we can be part of the planning of doing that. Unless we have people who understand how best to do it and how best it works at the planning level, at the execution level and at the level of the little bits all over the place, it will not work, I do not think. But we have to try. That is about it.

Senator PAYNE—Thank you. I have canvassed most of the areas I am interested in pursuing.

CHAIR—I think we have exhausted the committee. Is there anything else you would like to add by way of explanation?

Brig. Essex-Clark—No, thank you.

CHAIR—Senator Payne has decided to ask a further question.

Senator PAYNE—Again in your submission, on page 9, you make some observations about public opinion and further development of the alliance.

Brig. Essex-Clark—Yes.

Senator PAYNE—In fact, you refer to the alliance as a national asset but make an observation about negative and sensationalist reporting and editorialising in the media. Your suggestion about conveying 'better information'—I suppose I would use those words—to the committee is interesting. How would you see a government advancing that? Would it have to be done on both sides or simply on the Australian side? Do you think the United States should pursue a similar option?

Brig. Essex-Clark—When I wrote that I thought it was obvious that the Australian public, from the way the media presents their attitudes—if that is what they do—is not aware of what ANZUS is all about, especially the youngsters today. Whoever is running the government, the Australian parliament should let its people know why ANZUS, for example, is important. And I do not think we do. I do not think we make any effort at all. We just let the press run with it and let the media say what it wants. And whatever the media discussed at their last tea party they will put in their editorials.

Mr NAIRN—Perhaps the press do not understand the alliance, either.

Brig. Essex-Clark—That could be so, but if they do not understand, whose fault is that? It is the government's responsibility to do that. Surely it is our fault. If we cannot explain ourselves to our people through the media surely it is our own fault. The point I was trying to make there was that some effort has to be made by government to say this is why we consider ANZUS important. I think a series of press releases that fluff around the problem do not get us anywhere. I do not know what we need; perhaps we need a pamphlet to go out to the education department saying that this is Australia's policy and this is why. Unless we explain it no-one is going to understand it. The kids are not going to understand it. Let us face it; the way the education system is structured today, the department will not be terribly interested in presenting that sort of matter to its students. I think that is all I can answer on that. That is a personal view that I hold.

Senator PAYNE—I think it is a very interesting point. I think we all think it is an interesting point. It may well be that in the very active committee environment of the parliament there will be an opportunity for a committee such as this—or at the very least the joint committee—to participate to some level in that process.

CHAIR—I thank the three of you for your attendance here today. If you have been asked to provide additional material, 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. We thank the RSL for sending three such distinguished ex-servicemen who have experience in the three services of our Australian Defence Force and in operating with the United States of America. We certainly value your experience, your presentation and your submission to the committee.

Brig. Essex-Clark—Thank you; that has made our day.

Proceedings suspended from 12.08 p.m. to 1.33 p.m.

WHITE, Mr Hugh John, Director, Australian Strategic Policy Institute

ACTING CHAIR (Mr Nairn)—On behalf of the chair, I restart the hearing and welcome Mr Hugh White, the Director of ASPI, to today’s hearing. 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 are therefore of the same standing as proceedings of the respective houses. Do you wish to make an opening statement to the committee?

Mr White—Yes. Thank you very much for this chance to appear before the subcommittee. Members may be aware that my colleague Mr Peter Jennings, also of the Australian Strategic Policy Institute, has put in a submission on his own account. I agree strongly with the broad points made in Peter’s submission but, as is always the case with our institute, the views we express are very much our own. I will make a few observations on what seemed to me the key elements of the subcommittee’s terms of reference.

The first point that is worth getting straight to start with is the benefits that Australia seeks from the alliance. It seems to me that there are four of these. The first, which is easy to take for granted but remains very important, is the security guarantees expressed so clearly in article IV of the ANZUS treaty. Because we do not, if you like, draw on those security guarantees day by day it is easy to forget about them, but I do think it is a very important foundation of the relationship. They are strategically important to Australia, because even though for decades now we have built defence forces aimed at having the capacity to defend the continent without relying on our allies in combat, it nonetheless remains a very important factor for any country planning an attack on Australia that they need to guard against the possibility—indeed, the likelihood—that the United States would provide armed support. That is a very significant contribution to our security.

The second issue is that whole nest of what I might broadly call technical support to our military and intelligence capabilities: our access to high technology, the very dense and important intelligence cooperative relationship, and logistics to a certain extent. Those are all important. Sometimes they are presented as being the main benefit of the alliance—that is a mistake; they are one of the benefits but they do not stand alone. They do make a very great difference to that day-to-day management of our defence forces and the capability of our intelligence agencies.

Thirdly, there is the role that the United States plays in the stability of the wider Asia-Pacific. My own view is that for Australia, particularly after the end of the Cold War, this has become the most important benefit to Australia of the alliance. If the Asia-Pacific did not have a stabilising and effective United States presence it would be a very different part of the world and one that would potentially be much less congenial to Australia’s interests. In particular, the United States’ role is critical in preventing the emergence of intense strategic competition between the major powers in our part of the world. An environment in which that kind of competition escalated and became militarily explicit would be one that would be much less congenial to Australia. Fourthly, the United States contributes very significantly to maintaining a global security architecture which is broadly very favourable to Australia and to global efforts to combat

problems like terrorism. It is very much in Australia's interest that all four of those benefits be continued.

Secondly, it is worth asking what is in the alliance for the United States. The most important thing about our alliance with the United States is the way in which Australia constitutes one of the foundations for the American position in the western Pacific. Americans are acutely conscious of the significance of the western Pacific for their long-term global strategic posture, and they are very conscious of Australia's position as its closest and in many ways its second- or third-most important ally in this part of the world. Korea obviously has a very special place of its own. But that is a complex relationship deeply tied up with the complex geopolitics of the peninsula itself. The Japan relationship is obviously immensely important and I am sure it will be seen by them as it would be by me as their most important single relationship. But nothing quite matches the intimacy and closeness of the relationship we have with the United States in the western Pacific. That is an important part of the US posture here.

The United States do value Australia's participation in coalitions near and far in situations like Iraq, Afghanistan and so on. That is something they are intensely conscious of. Thirdly, they do strongly value Australia's role closer to home—not as a member of US-led coalitions but independently leading efforts in our part of the world and in situations like East Timor, the Solomon Islands, taking primary responsibility for the situation in Papua New Guinea and so on. So there is, I think, a set of quite tangible and specific values to the United States. Of course, in meeting those values Australia does carry some obligations. The first is that we carry strictly reciprocal security obligations to the United States, under article IV. The clause reads:

> Each Party recognises that an armed attack in the Pacific Area on any of the Parties would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional processes.

That applies as much to Australia as it does to America. So if the United States forces or territories in the Pacific area did come under attack we would be obliged to provide assistance in accordance with our constitutional processes. But Americans certainly expect that that would include the deployment of armed force. We should not underestimate the significance of that obligation.

It is also worth making the point that within our own region—and I mean the wider Asia-Pacific, not just our own backyard—American expectations of the scale of our contribution would be quite high. Traditionally, Australia has made small alliance contributions to operations far away, as we did in Iraq, for example. It is a very good example, I think—a very cost-effective example of a small but effective Australian contribution to a coalition in a remoter part of the world. If we face a major crisis in our own part of the world America would expect Australia to play more of the kind of role that Britain has traditionally played in the gulf—the big ally, the one that comes with a lot to the table—and that would be very demanding for us. So that is a very clear obligation.

The second obligation is to a certain level of political support. The United States does not expect us to agree with every policy that every US administration adopts, but a broad level of sympathy and support for US postures and values is a clear US expectation of Australia. Thirdly, they expect us to be energetic in developing our own intelligence capabilities and in developing

and maintaining an adequate range of defence forces and defence capabilities of our own to play a part when needed.

That leads me to my fourth point: what does this balance of benefits and obligations mean for the capabilities we develop in our own Defence Force? My own view is that the Defence Force that we develop, and have been developing over recent decades in Australia, provides a robust foundation for us to give the United States the kind of support it needs and should expect under the alliance from Australia. You can look at the Australian Defence Force as comprising two big groups of capabilities. The first is a set of high technology air and maritime capabilities—the FA18s, the F111s and their successors. And there are our submarines, our surface fleet, our P3 Orions. These are world standard, very sophisticated systems which can, or at least should, be able to mix it with pretty high-threat environments anywhere in the world. They provide us with a very robust capability—as, for example, our FA18s and our P3s did in Iraq to support the United States at the high-tech end of the business.

The second big part of our force structure is our very effective, very highly trained, mostly light land forces and special forces. They are primarily developed in our case for operations in our neighbourhood but they have proven in places like Afghanistan and Iraq to be a very capable contribution to coalition operations elsewhere in the world. My own view is that, across the range of obligations we might face with the US, the forces that we have developed in those two categories do provide us with an adequate range of options. That is something that we should not take for granted. We continually need to examine and test our force planning proposals, not to reshape our forces fundamentally to support the US alliance but to make sure that we are continuing and maintaining the kind of high-level capabilities that are needed.

To take one example, our institute has recently published some work on the future of our air combat force. Our broad conclusion is that when the JSF comes on-line—that is, the aircraft that the government plans to buy—it will, if it performs according to specification, be a very effective and capable air combat force for Australia. But there is a risk of a gap in capability between the appearance of that aircraft, if its entry into service is delayed, and the capabilities provided by our present air frames and systems. I think that kind of gap would be serious for Australia, but it would also be serious for our capacity to contribute to US-led coalitions. That is a kind of example of the care that we need to take to make sure that our force planning really does maintain the capabilities that might be needed across a range of coalition contingencies. With that, I will conclude.

ACTING CHAIR—In talking about the ANZUS treaty you spoke much about Australia and America. What about New Zealand? New Zealand's position in recent years on a number of these issues has changed. What does that do, do you think, from an Australian point of view in the alliance?

Mr White—This year is the 20th anniversary, if I have got my years right, of the election of the Lange government. I think it was in 1984 that the Lange government was elected and there was the subsequent crisis over the *Buchanan* that in 1987 brought about the formal suspension of the security undertakings under ANZUS between the US and New Zealand. The decision taken by the Australian government at that time was that we would work to maintain those two wings of the former trilateral treaty and keep them as intact as possible—that is, our bilateral relationship with the US and our bilateral relationship with New Zealand. By and large, that

strategy has worked. It is certainly true that the rupture of the US-New Zealand leg of the triangular relationship has done nothing to damage, and may even in some ways have enhanced, the Australia-US connection.

I think it is harder to be clear about the impact on the New Zealand-Australia connection. Initially we hoped that—I mean we on both sides of the Tasman—having agreed to differ on the issue of nuclear ships, we could actually draw closer. We hoped that, because New Zealand had lost the leg to the US, we could draw closer in a bilateral relationship. We talked of single strategic entities and closer defence relations and all that sort of thing. In the end, that proved hard to achieve because, underpinning that rhetoric about our closer relationship post the ANZUS break-up, Australia and New Zealand do have different strategic perceptions and different strategic agendas, based partly on different geography. From Australia, New Zealand looks quite close. Viewed from New Zealand, the world is a different shape. We are a very big part of it.

I think that, for reasons that go quite deeply into New Zealand's history and national identity, it has adopted different strategic views from ours. That has made it hard to develop that kind of very close intimacy which I think at one stage we aimed for. That was reflected in the decisions that the Clark government took early in its time in office to very radically change the shape of the New Zealand force structure and move in a very different direction from ours. I do not think that is a disaster. I think we can still have a very effective and very valuable trans-Tasman defence relationship with New Zealand, but it looks a lot different from the way it might earlier have looked.

The second point I would make is that, notwithstanding the desire by many in New Zealand, including many on the conservative side of politics in New Zealand, to revisit the issue of nuclear ships and perhaps to try to move past that and move back into a close bilateral alliance relationship with the United States, my own view is that Australian policy should be based on the expectation that the present situation is here to stay. Many politicians in New Zealand have set out to try to reverse the judgment of the mid-1980s, and none have succeeded. It seems to me that it would be very hard now to achieve that in New Zealand. I think it is best for us to plan based on the assumption that things are going to stay pretty much as they are between the US and New Zealand.

ACTING CHAIR—At the end of the questioning of the RSL witnesses, the issue was raised of the understanding within the general public of the ANZUS alliance. That is raised in your submission as well.

Mr White—Yes.

ACTING CHAIR—You make a couple of suggestions: scholarships, a CRC and something else. What about the general public? Do you think that things ought to be happening to get a better understanding by the general public about the importance and the detail of the alliance?

Mr White—I think there are some very important points there. The proposal about academic study that Peter Jennings raised in the submission is intended to address what appears to us to be a problem with, if you like, the higher level—the amount of intellectual energy being put into thinking about the alliance and how it should be developed. It seems to us that at the level of the

policy intellectuals the alliance is a bit taken for granted and we are not putting as much work into it as we should. I think the proposals that he has in his submission are very valuable ones in that regard.

The issue you have raised about public understanding of the alliance is a separate and very important one. There is pretty good instinctive understanding about the alliance in the Australian community, and certainly the polling suggests that support for the alliance is persistent and robust. But there is also a difficulty in presenting the way in which the two countries interact as part of that alliance. It is very hard for a small partner to look good standing alongside a big ally. Inevitably when people focus on the workings of the alliance they tend to attribute to the junior partner a subordinate status which might not really be reflected in the way business is being done.

This is not a unique problem between us and the United States. If you look at the British public response to Britain's relationship with the United States, the way the Canadian public responds to that relationship and the way the New Zealand public responds to its relationship with Australia, you will see that it is always hard for the little guy to look good standing next to the big guy. There is a concern that, underpinning that broad public support for the US alliance, which has been very durable even at tough times like early last year, there is a lack of understanding of how the alliance really works.

The primary responsibility for educating the public about that in the end lies with governments. The way that governments themselves present these issues is not so much a matter of facts and figures as a matter of the way the workings of the alliance are explained by ministers in speeches and so on. It has been a problem for both sides of politics; it is not a partisan point at all. It is more the need for politicians to bear firmly in mind that it is not enough just to generate broad support for the alliance as such but it is necessary to generate a deeper understanding about the way the alliance works in its day-to-day management and how collegiate it is—what a cooperative relationship it is. I do not think that is properly understood.

ACTING CHAIR—On the CRC, are you suggesting that that ought to be developed within the current cooperative research centre program? That is very much scientifically based, whereas the CRC of US relations is more to do with political science than practical science.

Mr White—That is right. This might seem a bit self-interested, but we are a bit interested in trying to broaden the CRCs to cover a broader range. We think—and it is not unique to the US alliance—that there is scope for moving into policy areas like this. With some of the approaches that have been developed through the CRC structure in building cooperative relationships between governments, universities and other entities—private enterprise or whoever—there are quite a few entities around with an interest in this issue, and it seemed to us an interesting idea to broaden the basis of serious, deep academic and policy study.

One of the advantages we sought from that structure is that, as we understand it, one of the key elements of the CRC program is that is does focus on practical outcomes. Whilst there are—as the survey that Peter sketched in his submission indicated—quite a few academics at work on alliance related issues, most of the work looks to us to be pretty disconnected from the real policy questions. We would be keen to find a structure which enabled academic work to be more closely plugged into policy work. This is the kind of thing we at ASPI do ourselves in other

areas, and we think it is very promising—drawing expertise out of the academic sector and bringing it to bear on policy questions. We bring the policy focus and the academics bring their deep expertise. But the point about Peter's proposal was that the alliance is such an important issue and such a big one that it really deserves a separate process of its own. We thought the CRC model was an interesting innovation as to how that might be done.

Senator HUTCHINS—Page 10 of the submission is very strong where you say:

This Committee inquiry could make a major contribution to Australian thinking about the alliance if it devoted some time to refuting the old canard that Australia's US relationship undermines our ability to pursue closer relations with Asia.

Then you say:

... a close US relationship boosts Australian credibility in the region.

Would you like to elaborate on those statements for us?

Mr White—It has been a very persistent part of the debate about the alliance in Australia that there is, if you like, an inherent binary choice for Australia between a close relationship with the United States and a close relationship with Asia. Although successive governments on both sides of the aisle have both argued and demonstrated by their policies that that is not the case, it remains one of those ideas that will not die, if you know what I mean. I must say my own personal experience as an official and as an observer of the drift of the issue over 20 years or so is that the supposed dilemmas—the supposed choices that we have to make, to do one thing or the other—simply do not arise in reality.

There are of course some specific issues in which one will have to take account of views on one side or the other. When Australia deployed forces to support the UN coalition in Iraq in 1990 and 1991, we were subject to a measure of regional criticism and disquiet. Of course, the same happened again last year in relation to Iraq. But I think it is a mistake to interpret that as posing Australia a very distinct choice between going one way or going the other. My experience is that Australia's strategic standing and weight in the region is an important asset in our conduct of bilateral relations in the region, and that is importantly supported by our relationship with the United States.

That is not to say that such choices could not emerge in the future. It is a significant issue for Australia, particularly in relation to the way in which the US-China relationship develops. At the moment, we are going through a very good period in US-China relations. The Bush presidency, particularly since 9-11, has sought to work cooperatively with China on issues like North Korea and the war on terror, and it has been careful to be quite accommodating to Chinese concerns over issues like Taiwan.

However, there are elements in American thinking and there are certainly elements in Chinese thinking which would be much less comfortable with one another. There is clearly a risk that, over the longer term, US-China relationships could become more adversarial. That could pose Australia quite an acute choice. But that would be much less a generalised choice between the US and the region and more a specific choice between supporting the US and supporting China on a particular point. I think there is a policy implication from that—that is, that we should work very hard both with the US and with China to prevent that from happening. But, with that

important caveat, I would say I see no reason in the future—nor have I seen evidence in the past—of the idea of a structural zero-sum trade-off between a close relationship with the United States and a strong and effective strategic engagement in Asia.

Senator HUTCHINS—Following on from my last point in the question, you say that the US boosts our credibility in the region, and I wonder if you would like to elaborate on that.

Mr White—I think it does that in two ways. The first is that, in keeping with the second point I made in describing the advantages to Australia of the alliance, it boosts our capability. Without being a close ally to the United States, we would not have access to the quality of systems that we do and so we would not have such strong capabilities. It would reduce our capability margins over the region. I would not want to give the impression that our strategic standing in the Asia-Pacific is purely based on the fact that our defence capabilities might be better than those of some of our neighbours—

Senator HUTCHINS—We actually heard this morning from the Department of Defence about interoperability. Mr Carmody said that the US has an interoperability arrangement with a number of Asian countries but that there were a number of Asian countries that were not in that sphere of interoperability. Is that ins and outs? They are not black hats and white hats?

Mr White—The US has a broad but not universal policy of trying to build close defence relationships around the Asia-Pacific. As I mentioned before, none of them are as close as ours. I put less emphasis on interoperability than others do. Interoperability is an extremely broad term. It refers to the capacity of armed forces to cooperate together. At one level that simply means we need to be able to talk to one another. It can mean anything, in other words, from having interpreters so that we can speak another's language all the way up to the kind of very intense systems based interoperability that we aim for between, for example, Australian naval ships and US naval ships. The US does not aim for anything like that with most countries in the Asia-Pacific, but that does not mean you cannot cooperate with them. You can cooperate, work well together and share strategic objectives with a whole lot of countries with which you do not have a very high level of interoperability. So I think the significance of interoperability as a key factor in the capacity to build close strategic relationships can be overstated.

There is no doubt that Australia benefits in terms of our standing in the region because our forces are better. An important reason for that is our access to US technology. We have better intelligence too, which is also significant. But it is also because they know we have the US behind us. Let me give a specific example. When we sought to build the INTERFET coalition in East Timor, which was a very harsh test of our capacity to perform a regional leadership role and really was a point at which our claims to be an active partner in the region and an active strategic player in the region came home to roost, we went to a range of countries all around Asia—many South-East Asian neighbours, for example—and invited them to send substantial contributions to that force. In retrospect it was a success, so in retrospect it tends to look as though it would have been pretty easy, but at the time we were all very unsure about how it was going to go.

One of the things that encouraged people to say yes and support us was that they had a pretty high regard for Australia's own capacity to lead that operation successfully. We had a lot of credentials from Cambodia, for example, and the wonderful job that John Sanderson had done there. We had a lot of operational experience all around the world which made people like the

Thais, the Filipinos, the Koreans and the Singaporeans think, 'Australians can probably make this work.' But another factor that was very important was that they knew we would have the United States behind us over the horizon—and we did.

A very important feature of the way the alliance worked in relation to East Timor is that, whilst the US provided us with some invaluable practical, concrete help in things like intelligence, very important air transport support and a number of other logistics functions—air transport was in some ways the most important; we could not have done it without that—they also provided a very clear backstop. For a substantial period early on in the deployment there were substantial US forces within quite close range—not announced and not particularly overt, though not entirely covert either, but clearly demonstrating that the INTERFET force would have a great deal of backing from the United States.

That is one of the reasons why our coalition partners in East Timor thought that this looked like a good bet. I do not want to underestimate our own achievement—I do think our own capacity to lead was very important—but there was the added factor that they knew that, because of the closeness of our relationship with the United States, we would be able to draw on very high levels of assurance of US support; and it proved to be so. Fortunately, in the event, that was not necessary; but with a lot of things in defence planning it is because you have got things that they prove not to be necessary.

Senator HUTCHINS—It sounds as though those countries also had interoperability with the United States.

Mr White—In an operation like that, the levels of interoperability are not so critical. That is why I say interoperability is a very complex process. If you want to slot a major surface combatant like a frigate into a US carrier task group and have it operate as an absolutely integral part of that task group in a high-threat environment, then you need a very high level of interoperability which needs to be reflected in detail in the systems within the ships. If, on the other hand, you want to place an infantry battalion into somebody else's brigade in a relatively low-level peacekeeping operation, all you really need is to make sure that you can talk to one another.

The more intense the conflict becomes and the higher the technology—the more it is systems driven rather than personnel driven—then the more long-range preliminary investments you need to make. We had a very broad coalition with Jordanians, Koreans, ourselves, New Zealanders, Gurkas and all sorts of people—they were all operating together—and of course there were always problems, but that did not mean we could not interoperate. It is not so much the interoperability thing as it is people's willingness to commit themselves which really makes a difference. Our concern was not that we could not interoperate with people. Our concern was that they would not be prepared to come along.

Senator HUTCHINS—On page 9 of your submission you commented:

Intelligence sharing remains one of the greatest benefits of the alliance—it is valuable to both countries, although particularly so to Australia.

We have also had a paper from Dr Carl Ungerer which states, in part:

> ... there is a perception among some allied intelligence agencies, including in the US, that Australia has been failing in its 'burden sharing' responsibilities for a number of years.

I asked the Department of Defence about Dr Ungerer's statement this morning, and they said that it was wrong. Could you comment on those statements?

Mr White—I am going to come out halfway between those two on that one. The intelligence relationship with the United States—and I spent a lot of my career working very closely on that relationship—is very intense and very day to day, but pretty unsentimental. These are all people who are trying to cover a very wide swag of the world. In the US case, they are trying to cover the whole globe. They have what appear to us to be huge sums of money, but they never think they have more than they need. It is a very common part of that dialogue for these guys to be saying, 'Gee, we wish you were doing more on country X,' or, 'Why couldn't you do a bit more on country Y?' or, 'Gee, I wish you had a report on country Z.' And, I might say, we do the same to them. Responsibilities are divided up in different ways under the arrangements. We go back to them and say, 'Well, you guys are meant to be responsible for such and such; haven't you got any more?' Now, there is nothing wrong with that. That is a demanding, intimate, workaday relationship between people who are at the working level and are trying to push the other guy's system as hard as they can.

We from the Australian side have always prided ourselves on the fact that we are very demanding partners—we do not just take what we are given; we go out there and bully and badger and make pests of ourselves. And, of course, the Americans are very happy to do the same thing. So in areas where we take primary carriage the people at the working level are always complaining that we are not doing enough. On the other hand, at the higher level—the policy level, where people are standing back and looking at this relationship as a whole—my experience, and I should offer as a caveat here that I have not been active in this part of policy since the middle of 2000, so I am arguably a little out of date, is that certainly up to that point the broad perception of our US interlocutors was very much that Australia was a very active partner and we were prepared to put in big investments to maintain our intelligence and enhance our intelligence capabilities.

Areas like our very substantial investment in the acquisition of imagery capability with the establishment of what is now DIGO as a new initiative in the late nineties, our continuing investment in signals intelligence capability, and our small but very strong human capability were very well respected capabilities. As, I think it would be fair to say, the senior official in Defence responsible for managing at least the defence aspects of our intelligence relationship with the United States, I never had a senior US official say, 'Australia isn't pulling its weight overall.' We had lots of discussions where they would say, 'I wish you were doing more on country X or issue Y,' but, viewed as a whole, I think in fact they regarded us pretty strongly.

I would also make the point that, again, from outside the system as a detached observer now, I would think that the scale of new resources flowing into the intelligence community since 9-11 would be respected by the United States. I would be surprised if they looked at the amount of extra money that has gone into the intelligence agencies and said that that is not good enough. As I say, I am sure they want us to do more in all sorts of places at the tactical level; but, viewed as a whole, I think we are seen as doing our bit.

Mr EDWARDS—You talk about the government's need to maintain, through the ADF, some niche capabilities and you have referred to the special forces capability—the SAS—in order to maintain a capacity to be involved in coalition operations. Apart from the SAS, what other sort of niche capability are you talking about?

Mr White—Let me just clarify a point. I do not use the phrase 'niche capabilities' and the reason for that is that, as I mentioned in my remarks at the beginning, my reading of what we have and what the US wants is, if we maintain the sorts of capabilities that we need for the tasks we absolutely have to do in our part of the world, that will provide Australia with an adequate range of options to provide forces for the US, particularly when those operations are—

Mr EDWARDS—They were the words of Peter Jennings.

Mr White—That is right, and it is certainly language that the government has used and that Defence has used, so it is certainly part of the language. There is a very big difference between the kinds of contributions we make in a situation like Iraq, for example, where it is a long way away and what we are searching for are some small and, if I can put it this way, primarily symbolic contributions. Symbols are important; that is not to say it is not important and that is not to say they are not militarily effective. But there is a big difference between the kind of contribution you make where you want to demonstrate support, but you are not expecting to actually change the outcome, and the kind of contribution you make where you really are expecting to change the outcome.

My very simple, some would say too simple, model of this is that the closer to home the crisis is the more you move from the symbolic to the substantive. Whilst I think you have a range of different kinds of contributions that you can make in a situation like Iraq, by the time you get closer to home, particularly if it is a higher level conflict and larger forces are engaged, I do think you need to be able to put more on the table. Special forces are very useful. Light land forces are very useful. P3s are very useful. C130s, F111s, F18s, submarines, surface ships—we have lots of different things we can offer. I do not have any doubt at all that, from within the force structure that was foreshadowed in the 2000 white paper and which has been developed through successive Defence capability plans, we have an adequate range of options to meet the kinds of demands that Australian governments would want to be able to offer to the US. It is worth making the point that I think there was a very important line in the government's Defence policy review published early last year that it would expect the contribution to global coalition operations to be of the same—I think they used the phrase 'niche' there—high-value niche capabilities as we have offered in the past.

Let me just be quite clear here. I do not for that reason believe that Australia needs to develop, for example, heavy armoured land force capabilities in order to provide contingency to US-led coalition operations beyond our neighbourhood. I think we can do all we need to support the United States by making sure that we have the capacity to do the kinds of operations we need to do in our part of the world. One of the reasons for that is that, if you ask what really makes a difference to the United States—what the United States really appreciates Australia for—it is our ability to do things like East Timor and even the Solomon Islands or, in the case of a more intense conflict, to provide those air and maritime capabilities which are central to a maritime theatre like the Asia Pacific.

Mr EDWARDS—How then do you see the purchase of the Abrams tanks in the context of that interoperability which people say is so important?

Mr White—I have not been a supporter of the purchase of the Abrams tanks precisely because it seems to me that, although I do believe it is important that Australian infantry have the best and most cost-effective support they can have, we are primarily an infantry army. What we need for our own neighbourhood is primarily a light infantry up to maybe a light mech level army, well supported, all the fire power that you need, but it does not seem to me that a heavy tank is a cost-effective way of providing that kind of support. Moreover, it does not seem to me that the United States really needs or particularly wants Australia to provide heavy armour. It is not as though they are short of heavy armour themselves. In fact, if you look at the Americans at the moment they had all the heavy armour they needed to get to Baghdad; what they have lacked is the light infantry to police the Sunni triangle since then. Light infantry is in much more short supply around the world than heavy armour. My sort of one-liner on this is that I would rather have three extra infantry battalions—light infantry battalions—than 55 new tanks.

CHAIR—Mr White, welcome and my apologies for being a bit late; I had another commitment with one of our very good allied friends. Just a moment ago, you spoke about our part of the world and how we did not need heavy tanks or heavy armour to operate in our part of the world. Are you suggesting that we could rely on allied support in that regard?

Mr White—Let me go back a step. It seems to me that the principal role for which we should be developing Australia's land forces is for operations beyond Australia's territory in our immediate neighbourhood. That was very much the conclusion that the government reached in the white paper process in 2000 and that is reflected in the 2000 white paper. That is not to say that it is not important that our land forces should not be able to draw from those capabilities the capacity to cooperate beyond our immediate neighbourhood with other countries, but the thing that seems to be most important for Australia to be able to do is to operate independently and to lead coalition operations in our immediate neighbourhood. Our experience of recent years and the prognosis of the future is that that is likely to be a substantial demand on our land forces. For that reason I think the emphasis should be on light—relatively light—high-readiness, highly deployable, light land forces rather than the kind of heavy armoured capabilities that would be more appropriate to the drive to Baghdad so to speak.

I would think that our forces do need to have in themselves, as I said, the capacity to operate independently or to lead coalitions, so I do not think we should be relying on the forces of our allies for the kinds of capabilities we would need in that environment. But it is my belief that those kinds of heavier forces would not be required in our immediate neighbourhood. What is required in our immediate neighbourhood, and indeed throughout the Asia Pacific, are very high levels of air and maritime capabilities. These are fundamentally maritime theatres, particularly when you are moving into higher levels of conflict. Unlike the Middle East, for example, which is very much a continental theatre, the Asia Pacific has traditionally been, and will be I think because of its geography, primarily a maritime theatre. Australia does need to be a very substantial strategic power in the broader Asia-Pacific context, and we will be that if we maintain our air and maritime capabilities. We are the largest maritime power south of China and east of India, and it ought to be our objective to stay that way, and it seems to me that that is more in America's interest. It is something that America wants more from Australia as an ally

than a capacity to contribute very small and really, I think, strategically insignificant numbers of armour to American armoured forces, which are already very substantial.

CHAIR—You might have spoken about this a bit earlier, so I apologise if I am going over that turf again. You spoke about our immediate neighbourhood and our area of interest, the Asia Pacific. Do you have a description or a general description of the boundaries of that?

Mr White—Yes, I have. My working description of that is that our immediate neighbourhood is that arc of islands across Australia's north from Indonesia around to New Caledonia or New Zealand, depending how far you want to go, and out into the Pacific. Our region I define as the wider Asia Pacific, which, roughly speaking, is encompassed by the triangle whose points sit in Pakistan, Japan and New Zealand, if you can picture that; or if you know that map, the air staff planning chart with the concentric rings circled on Darwin, it is that map. That is my conception of the region.

Of course that is not to say we should never deploy forces outside that region—we often have and we often will—but that the focus of our strategic effort and attention ought to be in that part of the world. I think that is also where the demands on us as a US ally are greatest—both our demands to operate independently in support of interests shared with the United States, for example, in our immediate neighbourhood, or our demands with the United States in providing forces to US-led coalitions. I think outside the region it is always going to be possible for us to find from within our Defence Force small areas of capability, niche capabilities, which would help us to make a useful, valuable and symbolically appropriate contribution to US-led coalitions in other theatres.

But in our own part of the world—for example, in the case of an intense conflict on the Korean peninsula—the United States would not be looking to Australia for a small significant contribution. That falls within the ANZUS area and they will be expecting Australia to make a major contribution, and the heart of that contribution would not be our land forces; it would be our air forces, our naval forces, our maritime surveillance capabilities—it would be that kind of thing. That is why I believe that those two basic sets of the force structure that we are developing—that is, a set of light, highly deployable land forces focused primarily on the immediate neighbourhood capable of being used elsewhere and a set of high-level air and maritime capabilities of a standard that makes them comparable with air and maritime capabilities elsewhere in the Asia Pacific—gives us a good range of options for things we might want to do.

CHAIR—In our more immediate neighbourhood you do not see that we would, if we were leading an operation for whatever reason, have a need for heavy armour or heavy tanks? You would see it as being more air and maritime, as well as the boots and the guns?

Mr White—It would depend on the adversary, but I think the likelihood of Australia facing an adversary in the immediate neighbourhood, who could be most cost effectively responded to by the deployment of heavy tanks, would be very low. To expand on that thought a little: an adversary deploying heavy armoured forces into our immediate neighbourhood will be transporting and supporting them over the sea and the best way for Australia to respond to that would be to defeat them at sea. To put it in historical terms, I would much rather fight the battle

of the Bismarck Sea again rather than the battle of Buna and Gona. We lost a lot fewer people in the former battle.

CHAIR—Buna and Gona in New Guinea.

Mr White—Yes. They were real meat grinders, whereas the battle of the Bismarck Sea was very bad for the other side and pretty good for us. We live in a maritime environment. The defence of Australia against intense threats will always be—if we play our cards right—a defence at sea. I personally think that is primarily an air task; I actually think air power is the secret to that, as it was in the battle of the Bismarck Sea. For that reason, I would rather not destroy tanks by firing at them with 120 millimetre smooth bore guns out of an Abrams; I would rather destroy the other guy's tanks by sinking them before they get on the ground.

CHAIR—On page 11, you comment that the committee could provide an important public service by 'seeking to explore and explain some of the issues involved in the rather confused Australian public debate about missile defence.' Could you just set out the key issues that you think could or should be conveyed?

Mr White—Yes, absolutely. There are three separate issues tied up in the missile defence issue. One is the question as to whether or not the United States should develop a national missile defence of its own. That debate carries with it, if I can put it this way, echoes of the debates in the 1960s and the 1980s back in the Cold War where the question of developing missile defences by one or other of the superpowers became a very critical issue in arguments about the stability of the central strategic balance in that old Cold War situation—which was, of course, a critical issue for all of us because, if there was a global nuclear war between the two of them in those old days, it would have been pretty rough for everybody else.

There was a very legitimate argument that the development of national missile defences by either side in that balance would have been destabilising. Some people disagreed with that and they argued backwards and forwards. In the end, that whole debate has become irrelevant. Some of the comments that people make today about national missile defences for the United States still, if you like, carry with them the cobwebs of that old debate.

My view is that, if the United States wish to spend the money on developing national missile defences for themselves, that is fine. That is their decision. I personally think that it is a lot of money against a rather remote possibility but, hey, it is their money and I do not think it matters to us. I do not think there should be any reason why Australia should have reservations about the United States doing that if they want to. I would add one caveat to that. It is very important that the United States should ensure that the development of their missile defences does not have an adverse effect on the US-China relationship. The US-China relationship is a very important and complex one and, for quite specific reasons about the shape of the Chinese nuclear posture, the development of US national missile defences could engender some tension in that relationship. I think that can be managed by effective US discussion and negotiation with the Chinese. As long as that happens there is no reason why we should have any reservations about that. We need to put that to one side.

The second element is the question about the development of theatre missile defences. There has been some sense that the development of theatre missile defences is a bad idea because that

might encourage the proliferation of missiles. There is a respectable argument to be had on that but I must say that my own view is exactly the opposite—that is, the development of theatre missile defences or regional missile defences by countries like Japan, for example, is a perfectly sensible step to take. I do not think we should have any reservations about it.

The third element is the question as to whether Australia should develop its own missile defences. I think that does draw in a lot of the more complex issues. It seemed to me, and it has been the view of successive governments going back into the early nineties, that there could be circumstances in which Australia would want to develop some missile defences of its own but that the threat would have to get significantly more intense than it is now to warrant the very high levels of investment that would be required to do that. As a response to that, one of the things that successive governments have done is to make sure that we remain quite actively involved with the US in some work on missile defences, so we keep a foot in that camp and we have a place at the table. A very important part of that has been Australia's longstanding cooperation with the United States in space based early warning of ballistic missile launches through the defence support program and its successor, the space based infrared system, which, of course, we supported very strongly at Nurrungar and now support through Pine Gap. That system will be a critical element in the US missile defence system and that is one way in which we stay engaged in that whole business.

My own view is that we have not yet reached the point where the scale of missile threat to Australia warrants high levels of investment in developing our own missile defences. I think it is very sensible for us to remain engaged with the United States in these issues and, for example, signing, as the government is I gather planning to do, an MOU with the United States on these things sounds like an eminently sensible thing to do. I would be doubtful of the wisdom of committing large sums of money and diverting resources from within the Defence budget into ballistic missile defence investments in the present strategic circumstances, but I do not think the government is planning to do that, so I think that issue at this stage is moot.

CHAIR—That leaves the question that Dr Carlo Kopp has commented on:

In terms of developing regional capabilities, the area of cruise missile defence must be prioritised over ballistic missile defence.

That is in his submission. What level of threat to Australia should be considered before we would get further involved in the debate? You have suggested not taking money out of the Defence project to put into this program.

Mr White—Cruise missile defence is a very different business from ballistic missile defence, of course. It is true that cruise missiles are much less of a technological hurdle than ballistic missiles; on the other hand, you do not get the same result, either. The great thing about ballistic missiles is that they go really fast, so they are really hard to hit. Cruise missiles do not go that fast. They can be hard to find, because they can fly low. They tend to be shorter range and the best way of defending yourself against cruise missiles is to knock off the platform before they are launched. One of the advantages Australia has is that we are a long-range target. Launching cruise missiles against targets in Australia would be a pretty demanding task. If we maintain the surveillance and the air and maritime strike capabilities of a kind and quality we are developing

at the moment, I think we could neutralise a cruise missile threat against Australia pretty effectively.

How much would the ballistic missile threat need to be accentuated before it would seem sensible for us to develop ballistic missiles? There are a couple of parts to that. The kind of defences you would need to develop for Australia from ballistic missiles varies very strongly with the range of missiles you are talking about, as does the cost. If one of Australia's near neighbours were to develop a theatre-range—medium-range—ballistic missile capability, there would be a much stronger argument than there is today for Australia to acquire missile defences against that scale of missile. That would be expensive but it would not be unthinkable. I might say there is no evidence at the moment of such a trend and my own view is that that scale of investment would not at this stage be warranted, particularly because, if those circumstances arose, we could acquire such capability relatively quickly from the United States.

If we are talking about longer range—intercontinental-range—ballistic missiles, then the issue becomes much trickier. Effective defences against intercontinental-range ballistic missiles require extremely large investments. The United States system, which is very small, is still costing them—well, pick a figure, but it is certainly more than $US70 billion. This is real money. For Australia to develop missile defences of that scale against intercontinental-range missiles would be a very substantial investment. Moreover, I am not persuaded that it is necessary unless we had a very sharp deterioration in our strategic environment. Even then we would need to make a judgment as to whether or not we could not continue to rely, as we do today, on the deterrent effect of US capabilities.

Today, and for that matter, for many decades in the past, Australia's approach to defending ourselves from missile attack has been the extended deterrence provided by the United States. And that is quite explicit extended deterrence. That principle was reinforced in a 2000 white paper. That statement in a 2000 white paper was based on explicit discussions with US officials. The position of the United States is that they would threaten nuclear retaliation against a country that attacked Australia with nuclear missiles. That will make people think pretty seriously. I think that will work in a very high proportion of cases.

The circumstances in which the huge investments required in ballistic missile defences for Australia against intercontinental-range missiles would substantially enhance the security we already have on that basis are for me, I must say, a bit hard to imagine—that is, as long as our alliance with the United States remains robust. So I would rather invest in the alliance rather than spend the money on the defences.

CHAIR—That was getting to the question I was going to ask. Where do we invest? You are suggesting that we invest in the alliance and that that is going to underpin our security at this stage.

Mr White—My view is that the best thing for Australia to do is to invest in a group of air and maritime capabilities that retain our status as a major air and maritime power in the Asia-Pacific, because that is what enhances our strategic weight in the Asia-Pacific. It seems to me that our status as a major ally in the Asia-Pacific is a very important contribution we make to the United States as part of our alliance.

The second big thing we need to do is to make sure that we maintain and, I would say, enhance our capacity to help preserve the security of our immediate neighbourhood. That partly relates to the scale of our Defence Force. As I mentioned before, I would like to see us have a bigger Army—not a heavier Army, but a bigger Army. I think six high readiness battalions is on the light side.

But it is not just a matter of defence capabilities. As the government announced the other day, increasingly making sure our police forces can play a useful role in that part of the world, making sure that we can support these broader, whole of government national efforts in places like the Solomon Islands and, very importantly, in Papua New Guinea, is an important part of what we do. The United States does look to Australia to play the leading role in the stability of our immediate neighbourhood, and that is not a small task. It is a very big and demanding task. I gather at least from the press reporting that this point was actually expressed in the US submission to your committee. That is something which, as I say, I think we need to spend more money on. I think we need to spend more money on enhancing and increasing the scale of our light land forces. I would like to see us spend more resources—and I think we will end up spending more resources—on doing things in support of Papua New Guinea.

Mr NAIRN—I want to finish with a question on defence industries. You see say that the committee and the parliament should do more to promote Australian defence industries into the US. Do you have any ideas on what we ought to be doing there?

Mr White—Let me just expand on the point by underpinning where it comes from. The US is an extremely tough market for defence industries. Even very good companies with world beating products—and there is one just across the border—find it incredibly hard to sell into the US market. It is a fact of life that this is not, if you like, a commercial or even a technological or even a military level playing field. It is a playing field in which political—and I do not mean that in an adverse way—but pressure at the political level is—

Mr NAIRN—There is one across the border doing not too bad with the US—

Mr White—We are doing very well.

Mr NAIRN—but not doing very well with our own Defence Force.

Mr White—I am conscious of that. The Australian defence industry's capacity to make inroads into the US market is going to be very critically dependent upon our willingness to push the US, but it will also depend, as you say, on our willingness to buy the stuff ourselves. It is not just our friends across the border; it is also our friends in Tasmania and Western Australia with the high speed cats. The US system is into these things in a big way, and they are not yet in the ADF structure. I do not understand that. It is not just that I do not understand it as a point of industry policy; I do not understand it as a point of strategic policy. I think they are a very valuable component of a posture designed to maximise our capacity to operate in the immediate neighbourhood.

Mr NAIRN—Some submissions have said that the restricting by the US of sharing source codes and IP is detrimental to Australian industry. Do you think that is a concern or not?

Mr White—I am not quite sure about that as a matter of fact. I think we do have a continual battle with the US in the sharing of source codes and other underpinning technologies on capabilities we buy from the United States. We do better than just about anybody else but we do not do as well as we would like to. It is important—in fact I think it is central—for the Australian defence industry to focus on capacities to maintain the capabilities we have of our own.

On the other hand, as these systems become more and more complex, our capacity to maintain independent, indigenous support capabilities is going to decline. We are going to have less capacity to support the JSF in Australia than we have had with the FA18, because the JSF is an infinitely more complicated system. Australia will have to make some quite tough choices about how much we are prepared to invest in developing indigenous support capabilities for systems like the JSF as opposed to relying on the US. This will have implications for our conception of self-reliance. It will also have implications for the opportunities available to Australian defence industries. But that will not be driven just by US willingness to release things like source codes; it will be driven by the sheer scale and complexity of the task. I think that in the end that might end up being a bigger constraint even than the understandable but still frustrating US reluctance to be too open about what we are buying.

CHAIR—Mr White, thank you. I am very mindful of the time and the length of time you have been here. Thank you for your attendance here today.

Mr White—My pleasure.

CHAIR—If you have been asked to provide additional material, would you please forward that to the secretary. You will be sent a copy of the transcript of the evidence, to which you can make corrections of grammar and fact. Once again, thank you to the Australian Strategic Policy Institute for your submission to the inquiry.

Mr White—Thank you very much, Mr Chairman.

[2.42 p.m.]

DIETZ-HENDERSON, Ms Susan Louise Hane, Assistant Secretary, Strategic Affairs Branch, International Security Division, Department of Foreign Affairs and Trade

MAUDE, Mr Richard, Assistant Secretary, Americas Branch, Department of Foreign Affairs and Trade

RITCHIE, Mr David, First Assistant Secretary, Americas and Europe Division, Department of Foreign Affairs and Trade

STUART, Mr David, First Assistant Secretary, International Security Division, Department of Foreign Affairs and Trade

CHAIR—I welcome the representatives of the Department of Foreign Affairs and Trade to today's hearing. 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. Do you wish to make an opening statement?

Mr Ritchie—Thank you, Mr Chairman. I think not. From having looked at it, I would say that the statement from the Department of Defence was comprehensive. It touched the bases pretty well I thought. Given the hour, I thought that the best approach—if you agree—might be for us to make ourselves available for questions from the committee.

CHAIR—Okay. Graham, would you like to open the batting?

Mr EDWARDS—It has been put to us that there is a perception among some allied intelligence agencies, including the US, that Australia has been failing in its burden-sharing responsibility for a number of years in relation to Australia-US intelligence capacity. Are you aware of any such perceptions and, if so, could you comment?

Mr Ritchie—I think it is a question probably most appropriately directed to the intelligence agencies. Having said that, I am personally not aware of any such comments at all.

Mr EDWARDS—The second question relates to the implication of Australia's dialogue with the United States on missile defence. How do countries in the Asia Pacific view Australia's dialogue with the United States on missile defence? We have seen some public statements, but could we have your comments, please?

Mr Ritchie—We cover Americas and Europe Division and International Security Division, but I should have said to members of the committee right at the start that, if there are questions that come up relating particularly to regional issues which we need to take on notice, then we will take them on notice and get back to you very quickly. Having said that, I turn to my colleague from International Security Division to deal with the question.

Ms Dietz-Henderson—First, I should say that the government made a strategic decision to put in place long-term measures to counter proliferation threats to—

Mr EDWARDS—I am sorry, I am having difficulty in hearing you.

Ms Dietz-Henderson—The government made a strategic decision to put in place long-term measures to counter potential threats to Australia's security and interests from ballistic missile proliferation, given that there are several countries in various unstable regions developing sophisticated ballistic missiles. The decision in principle to have a look at participation in the US missile defence program was based on those sorts of considerations. We are not alone in recognising the value of ballistic missile defence. In the region, in particular, you will be aware of Japan actively developing a missile defence capability. As to reactions in the region towards Australia's decisions, as was noted earlier this morning on the whole there have been pretty much low-level reactions in the region. Indonesia has made comments of a mixed nature—some a little critical, some supportive or at least understanding. China was at first concerned. When the United States made its announcements a couple of years ago, it was vocal in its concern, but has been pretty low key in recent times. Other countries in the region have probably been satisfied or happy to just wait and see how things develop. At this stage we do not see that there has been any negative reaction that would cause us to rethink our decisions.

CHAIR—Could I follow that up. How do our regional neighbours view the US engagement and presence in the region and Australia's alliance with the US?

Ms Dietz-Henderson—First of all, most countries in the region recognise the value of a significant and pre-eminent United States in terms of its stabilising influence in the region. They understand where Australia's strategic priorities lie and the alliance commitments Australia has to the United States. We also place priority on developing our own strategic relationships with countries in the region. There is a quite sophisticated understanding of the value of the United States' presence here.

CHAIR—So in summary, our near neighbours or our neighbours understand the value of the Australia-US alliance to Australia and the region?

Ms Dietz-Henderson—Yes. Obviously we have our own bilateral relationships with countries in the region. When it comes to issues of security and stability, countries understand where Australia's thinking lies and why we place importance on our relationship with the United States. I do not know that it has meant that our bilateral relations with countries in the region have suffered as a result, but at the same time we are making sure that they are clear about where our thinking lies and what our views and values are when it comes to security. And of course our relationship with the United States is a fundamental part of that.

CHAIR—When the countries in the Asia-Pacific region see Australia having a dialogue with the US on missile defence, does it mean that the Department of Foreign Affairs and Trade has additional work to do or responsibilities to convince them that it is not about taking an aggressive stance necessarily? Is this how you have to address it? What is the effect on the governments within our region?

Ms Dietz-Henderson—I think it is a pretty fundamental responsibility to make sure countries in the region do understand what Australia's thinking is when it comes to security and strategic questions. If our relationship with the United States is a fundamental part of that, it is our responsibility to make sure that there is a good understanding of that in the region. I think there already is, but it would be part of our duty in our ongoing bilateral and regional dialogues with countries in South-East Asia and North Asia to make sure they understand where we are coming from. It is a commonsense thing.

CHAIR—A moment ago, Hugh White said that he saw our area of interest in our region, if you put it in a triangle, as India, Japan and New Zealand. I asked him where he sees our area of interest in our region when he talks about an area of interest. It covers an awful lot of territory to draw a line from Japan across to India and down and across to New Zealand. There are a lot of sovereign nations in there.

Mr Ritchie—A lot of those countries have their own independent security relationship with the United States, which contributes to regional strategic stability. Indeed, some of them have an approach to missile defence which is congruent with our own.

CHAIR—Which countries are they?

Mr Ritchie—Japan and India, for example.

CHAIR—They have a dialogue with the United States?

Mr Ritchie—Yes.

CHAIR—With regard to the US alliance with those on other defence matters, do countries in that region have an alliance?

Mr Ritchie—Absolutely—many countries of the region have an alliance, dialogue and very strong defence security relationships with the United States.

Ms Dietz-Henderson—Countries in South-East Asia, for example, include Thailand, Philippines and Malaysia. As Mr Ritchie said, it is not necessarily just a military or security alliance, but there would be cooperation on all sorts of fronts that promote stability and security in the region. That could be on counter-terrorism, for example. So it is not necessarily just military.

Mr NAIRN—During the negotiations for the free trade agreement, were Australian and US relations with respect to R&D and defence type industries specifically looked at at all?

Mr Ritchie—To answer that I would need to talk to my colleagues in the Office of Trade Negotiations and get back to you. I do not know. I have not been closely and in detail involved with the FTA negotiations.

Ms Dietz-Henderson—My understanding is that defence related issues were not included, but we would have to check on that.

Mr NAIRN—Not included at all?

Ms Dietz-Henderson—Yes.

Mr NAIRN—Even from a research and development point of view?

Ms Dietz-Henderson—Again, I will probably have to take that on notice.

Mr Stuart—My apologies for being late. I am afraid I have had a frustrating time driving around in circles for 25 minutes trying to find car parking, so I apologise for that.

CHAIR—It is called security in Parliament House.

Mr Stuart—There must be a lot of security guards parked in the public car park. I think I can help you. There is a complete exclusion of defence materials from the provisions of the free trade agreement which, as I understand it, is a fairly standard way of dealing with it in such agreements.

Mr NAIRN—On defence industries generally, then, we have had various submissions about the difficulty of getting Australian industries into US defence projects and things. Is there something Foreign Affairs could contribute to the debate about how we might be more effective in helping Australian industries get access?

Mr Stuart—Our colleagues in the Department of Defence obviously put a lot of time and effort into this, and we assist, particularly through the efforts of our embassy in Washington. A particular area is ITAR, or ITARs, the International Traffic in Arms Regulations, which is administered by the State Department—I think it is by the political-military bureau of the State Department. We have been involved, with Defence, in lobbying in that area to have an exemption for Australia so that we are not subject to these regulations. We have made some progress with that. At the moment, I think, there are discussions going on between one of the committees in Congress and the State Department about that.

Mr NAIRN—On the ANZUS alliance in general, a number of people have made submissions, and a couple have discussed those today, about the lack of public understanding of the ANZUS alliance in Australia. They have suggested that the government or the parliament should be doing more. Does Foreign Affairs have a view on that?

Mr Ritchie—Is the suggestion that the public do not understand the detail of the alliance?

Mr NAIRN—There are two things: what it really means and also, as a flow-on from that, its importance to Australia’s position in this part of the world and to our defence capabilities et cetera.

Mr Ritchie—It is a difficult question for us to answer. You as representatives would probably have a better sense of where public opinion is coming from in the understanding of the alliance. My own sense, though, is that a great deal of effort is put into public presentation of the alliance. That was the case with President Bush’s visit to Australia last year. There was a focus on the relationship with the United States and, as part of that, there was consideration of the alliance

relationship. We have regular dialogue with the United States and give public exposure to that. My own sense is that there is a broad understanding that the United States is very important for Australia's security directly, in the way I think Hugh White was talking to you about, through providing intelligence, access to technology and assistance in regional efforts that we may undertake. I think there is a fairly clear understanding of that. But there is also perhaps a broader understanding of the way the United States provides a sort of security guarantee within the region or in a sense provides strategic reassurance in our part of the world. Subject to what ministers might think, my sense is that there is an understanding in Australia of the importance of the United States for Australia.

Mr NAIRN—Also on ANZUS and trying to look at it from a Foreign Affairs point of view, has the change back in the mid-eighties in New Zealand's position within ANZUS had an effect on the relationships, foreign affairs department to foreign affairs department, between Australia and New Zealand and Australia and the US because New Zealand is not quite the partner it used to be?

Mr Ritchie—I do not think it has had an effect. The area that I can comment on is the relationship between Australia and the United States. I cannot comment really on the relationship between Australia and New Zealand. In my experience the relationship with the United States is now extremely warm and extremely close. I am not sure that the New Zealand factor has played into that in any particular way. I am not quite sure what sort of effect it has had on the bilateral relationship, which in any case I think you would have to say has got a lot binding it together and is extremely positive.

CHAIR—This might be a difficult question to answer: would Australia's national interests be better served by developing a limited but self-reliant force structure of space based systems or seeking coverage under the US space based systems' umbrella in relation to missile defence—in other words, becoming more self-reliant than associated or aligned with the United States?

Mr Stuart—With respect, I think that is probably going somewhat beyond our normal foreign policy and trade work. We have an interest in some of the legal regimes that affect the development of space and we provide advice to ministers and to colleagues in the Department of Defence on those, and provide sometimes representatives in international meetings on issues. The United Nations Committee on the Peaceful Uses of Outer Space is the UN body affecting space. There are some issues to do with Australian companies interested in a commercial role involving space, which would involve the trade side, but it really is not a core matter for DFAT and I cannot really say very much more than that. I know what our policies are from Defence but I think they have probably addressed those with you this morning.

CHAIR—I did preface that question by saying that this might be difficult for you; I acknowledge that. Thank you for the answer. Is there anything else you would like to add to this afternoon's evidence that you have not said?

Mr Ritchie—Thank you very much. There is nothing else we wish to add. It has been a good occasion to join you, and thank you for the invitation.

CHAIR—I thank you then 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 also be sent a

transcript of today's evidence to which you can make corrections of grammar and fact. My apologies for going a little over time with ASP and for cutting into some of your time, but we do appreciate your presence here today. I thank you for that.

Resolved:

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

Subcommittee adjourned at 3.03 p.m.