COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(Defence Subcommittee)

Reference: Australia's defence relations with the United States

WEDNESDAY, 7 APRIL 2004

BRISBANE

BY AUTHORITY OF THE PARLIAMENT

INTERNET

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

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

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

JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Defence Subcommittee

Wednesday, 7 April 2004

Members: Senator Ferguson *(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 Brereton, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Bruce 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: Mr Bevis, Mr Price and Mr Bruce Scott

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.

WITNESSES

LYON, Dr Rod, (Private capacity) 13
SEEBECK, Ms Lesley, (Private capacity)..... 13
UNGERER, Dr Carl John, (Private capacity)..... 1

Subcommittee met at 9.03 a.m.

UNGERER, Dr Carl John, (Private capacity)

CHAIR—I declare open this public hearing of the Defence Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into Australia's defence relations with the United States. I 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. Welcome, Dr Ungerer. Is there anything you would like to add to the capacity in which you are appearing?

Dr Ungerer—I am a lecturer in international relations at the University of Queensland but I am appearing in an individual capacity.

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. Would you like to make an opening statement?

Dr Ungerer—Thank you for the opportunity to appear before this committee. In my submission, rather than attempting to speak to all the terms of reference, I decided to limit my comments to two key issues: one is the intelligence-sharing relationship between Australia and the United States and the other is the issue of missile defence cooperation. On the first issue of intelligence sharing, I note that this matter has already been raised in earlier committee hearings. I would like to expand on some of the comments I have made in my submission and briefly respond to some other comments that have been made to the committee.

The first is that it is important to understand that the criticism that I had made in my submission was not about the broad operation of the intelligence sharing relationship. As my submission noted, the broader relationship is seen as a net strategic benefit to both sides, and it continues to serve Australia's national security interests. My real worry was that any diminution of this intelligence sharing relationship because of concerns over the timeliness, the accuracy, or indeed the independence, of any shared intelligence would have severe negative implications for Australia's defence and security interests. My specific concern relates to a perception among some allied intelligence agencies that Australia has not been carrying its fair share of the intelligence burden in recent years. I said that this perception, and it is nothing more, is based on anecdotal evidence. As far as I am aware, the issue has not been raised at an official level.

However, there are a number of issues that need to be addressed and this inquiry is well-placed to address them. No-one reading the March 2004 report of the Joint Committee on ASIO, ASIS and DSD on prewar intelligence assessments on Iraq would be left with the impression that the intelligence sharing relationship between Australia and its key allies is operating as smoothly or as effectively as it should. The report notes that Australia was overly reliant on allied intelligence assessment concerning Iraq's WMD programs. Decisions about sending Australian troops to war, in my view, should be based on more independent judgments.

Burden sharing, which is a term often used in the intelligence sharing relationship, means just that: it is sharing the responsibility, not piggybacking on the intelligence of others. These concerns should not be of surprise to those who have worked at senior levels in the Australian

bureaucracy. Burden sharing also means being responsive to the needs of our allies. I raised the Merv Jenkins case in my submission because it was one example where an Australian intelligence officer had reported feeling some pressure to provide more information to US counterparts on issues that Australian intelligence had direct responsibility for. I suggested that this might not be a random or isolated experience. I note that in Hugh White's testimony before the committee he has indicated that there were occasions on which US officials would prompt and prod Australian intelligence agencies to provide more information on country X or issue Y. As he rightly suggests, this is all part of a robust and often friendly relationship, and one that should not be discouraged or impeded.

However, in my opinion Australian intelligence agencies have failed to appreciate the shift in US strategic priorities after September 11 and, therefore, have failed to fully reorientate our collection and analysis according to US interests. As a result of the global war on terrorism, US expectations of our contribution to the intelligence effort against al-Qaeda and related groups in South-East Asia have increased significantly. The expectation is high and it is growing. This issue goes to the heart of Australia's intelligence collection and analysis responsibilities in Indonesia and South-East Asia. Throughout 2001 and 2002 and prior to the atrocity in Bali, Australia's intelligence efforts have been directed more towards people-smuggling issues and transnational crime. For example, there was no effort during this period to expand the number of ONA analysts working specifically on al-Qaeda or terrorism in South-East Asia. This is despite the fact that the CIA had itself initiated a process of joint research with ONA on Islamic terrorism. In my view, we were simply slow to respond to these US strategic priorities.

This US frustration with allies was reflected in the findings of the December 2002 US congressional report into intelligence activities before and after the terrorist attacks of September 11. Although the report did not specifically name Australia, it states:

> The Intelligence Community depended heavily on foreign intelligence and law enforcement services for the collection of counterterrorism intelligence and the conduct of other counterterrorism activities. The results were mixed in terms of productive intelligence, reflecting vast differences in the ability and willingness of the various foreign services to target Bin Laden and the al-Qa'ida network.

I do not assume for one minute that that was a specific criticism of Australia's intelligence efforts. To suggest that all is well in the intelligence sharing relationship—and I would hate the committee to be left with this impression from some previous testimony—between Australia and the US on these key strategic issues and that nothing needs to be done to improve that relationship would, to me, seem to take a head-in-the-sand approach. Hopefully the Flood inquiry into the Australian intelligence community will be able to recommend some much needed reforms so that the US continues to see Australia as a valued intelligence partner. At a bare minimum, Australia must resource both our human intelligence collection effort in South-East Asia and our strategic assessment capability to meet the demands of the new threat environment.

I will now make some quick points on missile defence. There are three points that I would like to make in addition to my submission. The first is that missile defence is a reality. No amount of wishing will make it go away. Later this year the Bush administration will open the first ground based interceptor site at Fort Greely in Alaska. That capability will represent a modest investment in protecting the continental US from a small number of ballistic missiles with

unsophisticated countermeasures. Such capability will assist US efforts to deter countries such as North Korea and Iran from developing longer-range ballistic missile systems and thereby directly contribute to Australia's security. Second, Australia is well placed to offer technical support and assistance to the development of US missile defence systems for existing capabilities such as the joint facilities of Pine Gap and the Jindalee over the horizon radar.

Finally, in my view Australia should use its influence in Washington to ensure that missile defence systems are constructed as a complement to and not a replacement for the existing non-proliferation regimes. Australia has a vested national security interest in ensuring that the current non-proliferation regimes, including the missile technology control regime, are adhered to.

CHAIR—Thank you very much for your statement. You suggested in your introduction that the intelligence-sharing arrangements between Australia and the United States seem to be limited in what we actually share. Would you like to elaborate on that? I am referring to what they share with us. Are you suggesting that there is a selective sharing rather than perhaps a sharing of all the information that is available?

Dr Ungerer—That has always been the case. Each country makes decisions about what intelligence it seeks to pass to allies, and those assessments are made about the sensitivity of the information to particular countries. That is nothing new or unusual. However, there are a couple of points that I will make. One is that the partnership that binds the US, the UK, Australia and Canada together in the quadripartite system has taken on something of a hierarchical structure, and that is partly as a result of the special relationship that the US and the UK have and it is partly the result of some of the decisions that were made over the war in Iraq. It is fairly clear and it is fairly obvious to many people that the US and the UK, through their special relationship, share much more information with each other about some of these strategic issues than they might share with Australia or Canada. That said, Australia would probably be in a very close second tier in that system and we would see most, but we do not see all, of both the raw and assessed intelligence that comes out of the United States and the UK. Thirdly, as a result of Canada's decisions over the war in Iraq there has been even a slightly punitive measure against Ottawa for some of those activities and there may be less flow of intelligence, particularly on the issue of Iraq, but that is natural enough.

It is very clear from the joint parliamentary report into ASIO, ASIS and DSD on Iraq and intelligence that we did not see a lot of the material and indeed were not aware of a lot of the material that was being argued about and debated both in Washington and in London prior to the war—for instance, issues relating to the claims about uranium from Africa and issues relating to other bits and pieces of the information that was used in the presentation of the case against Iraq. Not all of it was being shared with Australia.

Mr PRICE—You are talking about the raw intelligence, the assessments or both?

Dr Ungerer—It was both.

Mr BEVIS—To the extent that those changes in the free flow of information occurred—you referred to the possible change, for example, in Canada's access to that free flow, based presumably on the events surrounding Iraq—those events come and go; so too do administrations. Given that the dominant partner in these arrangements is the United States, to

what extent do you think that changes in administration influence the relationship and in particular the bit that you focused on, the sharing of intelligence?

Dr Ungerer—My sense is that those arrangements are based more on issues than on political decisions or administrations. Canada, under the Chretien administration, did make it very clear that it was not going to participate in the war on Iraq, so my assumption—and I think I am right—is that there would have been a reduced flow to the Canadians of intelligence on the Iraq issue as a result of that decision. That would have been automatic, regardless of which administration was in place in Washington at the time.

Mr BEVIS—I am interested in your reference to the Jenkins case. I remember very well the reporting of it, although I cannot claim to remember the details. But I do remember having had the opportunity to bump into some Australian personnel who held very similar posts in bygone days. Their comments, anecdotally, were that the sins alleged against Merv Jenkins were common practice in posts of that kind and that it was not uncommon for someone in the position that Jenkins held to have AUSTEO documents that would at least be made available for reading—if not for being taken away—by the counterparts that they had regular and close contact with inside the US defence establishment. Do you have any comments on that sort of anecdotal stuff I got at the time?

Dr Ungerer—I think that is very much the case. It is even reflected in the report of the Blunn inquiry, which said that instructions were given to Merv Jenkins and others at the embassy to pass, on a judicious basis, some of that AUSTEO material over to the Americans, because of our responsibility for Indonesia and indeed for East Timor at the time, in 1999. That was not unusual. I think the Jenkins case was as much about the internal operation of the embassy as it was about the actual arrangement for handing classified information to the Americans. Likewise, other countries have their own mechanisms for ensuring they do not hand over to a particular government material that might be sensitive.

One of the outcomes of that Jenkins process—and the Blunn inquiry recommended this—was that there was to be a more sensible use of the AUSTEO caveat in some of the material. At times, it had been liberally sprayed around and it created all sorts of problems in terms of being able to share intelligence with our allies. But, for me, one of the most stark and interesting aspects of the Blunn inquiry report was that the reason why the matter eventually led to a Department of Foreign Affairs and Trade investigative team was that there were clear foreign policy implications. Those are not my words but the words of the Blunn inquiry: foreign policy implications for the handing over of some of that material. In hindsight, given what we now know about the East Timor situation, we can understand what those foreign policy implications were. Nonetheless, I think that is an interesting case. I guess my submission was about that being perhaps an example of where, in our burden sharing responsibilities, particularly for South-East Asia, we would want to see that flow of information being able to occur without some of the hiccups that have gone on as a result of the Jenkins case.

Mr PRICE—I thought it was interesting that Jenkins is a DIO person in the embassy, presumably passing material on from his own home organisation, but it is Foreign Affairs that gets its nose out of joint, which led to the tragic events.

Dr Ungerer—As I recall it, after some email exchanges with DIO about the handing over of that material, and indeed Jenkins's recollection that he had been given at least a green light from the Director-General of ONA to continue to pass on some of the material, the issue was eventually done by the book, through the protective security service manual, an inquiry was set up and ASIO was informed. That led to the correct procedure. In my view, that was heavy-handed, but nonetheless the procedure is that it has to involve the Diplomatic Security Branch of the Department of Foreign Affairs and Trade.

Mr BEVIS—It does raise the interesting question of the distinction between what might be the approved policy and practice and what goes on at an operational level. Whilst this is one case, the same people said to me that not only was that their experience in similar positions, even identical positions, but the Americans—the people that they dealt with on a regular basis—would be doing the same thing. I am also reminded of some advice this committee got in New Zealand when we went there, where we asked about their difficulties in dealing with the US people and we were told that, whilst there is an official policy, at a practical and operational level many of the things that supposedly are not to occur do in fact occur.

Mr PRICE—The greatest difficulty is with the Australians.

Mr BEVIS—Yes, that is right: they said they had more trouble with us enforcing the American policy than they did with the Americans enforcing the American policy. There seems to me to be an interesting dilemma in all this when we talk about our relationships: there is the official relationship and there is the one that actually operates every day of the week.

Dr Ungerer—That was very much my experience as an ONA officer: on an informal and unofficial level these things are often done casually, and orally as well. You would get as much information from your colleagues in counterpart organisations through that casual process as you would through the formal document sharing process that goes on at perhaps a higher level. But all of that just suggests that there are some things to tidy up in some of these arrangements. I guess that was the point of my submission: to suggest that it is simply humming along without any problems or hiccups is not exactly accurate.

Mr PRICE—I think you made a valuable contribution. I would like to explore one end of the system and then the other. The government has agreed to the Flood inquiry, but with no commitment to make the findings public, which I personally think is unfortunate, but I would be interested in your comment.

Dr Ungerer—As I understand it, the Flood inquiry has been established and Mr Flood will be allowed access to all the classified intelligence—

Mr PRICE—Yes.

Dr Ungerer—relating to the war in Iraq. As such, I think it is prudent that he produce a classified report to government on that material. I would personally like to see a public version of that report produced and, given that we have already have one inquiry that has indeed spoken about much of the material, I think that there would be ample opportunity for Mr Flood to produce an unclassified version. I think that would be a useful thing for the government to do to allay some of the concerns, given that even as recently as this week we have heard the US

Secretary of State come out and admit that some of the intelligence that was used relating to Iraq's WMD programs may have been flawed.

Mr PRICE—I concur with your suggestion. Let me just take you now in a slightly different direction. This government has actually set up a joint parliamentary committee on intelligence organisations. I think they need to be congratulated for that. Clearly we are starting to gradually, I think, push the envelope in terms of parliamentary accountability without compromising national security. Let me describe to you part of my dilemma: clearly the intelligence sharing between the United States and Australia is a huge benefit, as you say, to both countries but certainly a huge benefit to us. You have raised issues about how the experts that we have in different organisations are adjusting to this new war on terrorism, but this committee will not be able to look at those classified documents. We will not be able to agree or disagree with Flood. I wonder whether you have a view on that.

Dr Ungerer—I agree entirely with your first statement that the parliamentary oversight and scrutiny of intelligence agencies has moved along in very positive ways over the last few years. Indeed, much of Justice Hope's original recommendations from the seventies and eighties about providing some sort of parliamentary oversight has led us down this track. I think it is very healthy and very good. You raised the point that this committee will not be able to touch upon some of those things, even though one of its terms of reference happens to be the intelligence sharing relationship. Much of the mystery and smokescreen that is often put around about the intelligence community is sometimes not warranted. It would be perfectly reasonable in my view for heads of intelligence agencies, for example, to appear before this committee and provide testimony, as they do in the United States system, where there is much more scrutiny of intelligence agencies. Indeed, intelligence officers do have to appear and be accountable for their actions and their decisions.

Mr PRICE—We can get more information out of the congressional records than we can from the in camera evidence of those people appearing before us.

Dr Ungerer—I think that is right. That is partly a function of the whole idea of having intelligence placed before parliamentary scrutiny being quite new, and we have to find a way to work out how we best manage those relationships. Nonetheless, we are moving in that direction and people will become more comfortable with appearing. For example, I would like to see the Australian intelligence agencies do much more what their US counterparts do, and that is put up more information on the Web. The CIA put a lot of their assessments out in the public domain. I am not sure why ONA and others do not do that. Ninety to 95 per cent of many of the assessments are unclassified and drawn from open sources.

Mr BEVIS—The Brits do not do that, do they?

Dr Ungerer—No, the Brits do not.

Mr BEVIS—So we emulated the British system?

Dr Ungerer—Yes, very much so. My point is that it is healthy in a democracy if you have some of those assessments and those things out there in the public domain.

Mr PRICE—I need to correct the record. Generally speaking, it has been like drawing teeth—just impossible. But I must say that the committee went to DIO and we had a very full discussion about the capabilities of DIO and about the future, and that was really worth while. I think you were there for an in camera briefing on threat assessments. It adds to the committee's understanding and helps to avoid making mistakes in any of its reports on that. But that is the only instance I can recall where there was full cooperation.

CHAIR—With regard to the question we have just been talking about on putting the intelligence up on a web site, you might look at what was out there prior to Bali and you might look at the travel warnings for Australians travelling right now to Gallipoli and places like that. Is there a fine line on what the public should know? I guess the issue that I often get concerned about is how the media treat that information for their own purposes.

Dr Ungerer—Yes, the sensational nature of some of that information.

CHAIR—Yes. I think we have seen that with Gallipoli this year. It is the same assessment as last year, but you would swear, by the media reports, that no-one should go, and yet nothing has changed in the travel warning that is there this year from that of last year. I am concerned that, once you start putting that on a web site, the media will take it off and get a front page headline out of it to get circulation up or whatever other motives they may have. How do we deal with that issue if we were to go down the path of putting more information on web sites? There is limited information out there now. It is not as though there is not any.

Dr Ungerer—That is a good point. The travel advisories are a good way to think about these sorts of things. I think you will find that prior to Bali—and this was also the subject of an inquiry that the parliament conducted—there was a disjunction between what the DFAT travel advisories were saying and what some of the ASIO threat assessments were. Some fair criticism had been made that the two needed to be closer aligned. That is now occurring with the establishment of the National Threat Assessment Centre within ASIO, and I think that has been a positive move forward. Since Bali, travel advisories and the threat assessments are much more closely aligned.

We have had that situation in this country for over a year. Although the case in Gallipoli has become sensational—and I rightly agree with you that it has been used in the media inappropriately—threat assessments have become much more robust and have been based very much more closely on ASIO threat assessments for over 12 months now. There are isolated cases like Gallipoli, but overall I think the public has been welcoming of the fact that there is a stronger basis for some of those assessments, and they are all out in the public domain. I guess my point is that, although we probably will have these isolated incidents where the media do pick up on one or other threat assessment and try to make something of it, overall the system is working quite well now in that it has aligned travel advisories and threat assessments more closely.

Mr BEVIS—I would like to step back from the specific for a minute to the broader view. In terms of the specific, you make comment about our defence intelligence analysing agencies apparently failing to provide advice about flaws in American assessments and the like. That raises a broader philosophical question in my mind which is the view that if it is in America's interest, or assessed by America to be in America's interest, then it is and must be in Australia's interests. If that view permeates policy makers or advisers, then it becomes commonplace to

make that sort of mistake, it seems to me. If that were to be a view, then it also feeds into a whole lot of other things, including force structure in our defence forces, acquisitions and all sorts of other matters. I wonder what your thoughts are on that broader picture issue: the extent to which policy makers and advisers, or commentators, for that matter, view Australia's interests and America's interests, whilst being very close, as being not necessarily the same.

Dr Ungerer—I think that is a very fair comment, although I think in the post September 11 world our interests have aligned much more closely, particularly in relation to the war on terrorism. The point of my earlier testimony is that I think there was a degree of slowness with which, in particular, the Australian intelligence agencies had reacted and responded to that shift in the alignment of our interests, particularly on the global war on terrorism and that, at least prior to Bali, we had not really seen the shift in the world. People talk about September 11 having changed the world. I do not think it did change the world. A lot of the strategic fundamentals are still the same, but it did change America. As our closest and most important ally, it was beholden on Australia, particularly on our intelligence agencies, to understand that shift and to respond accordingly. I agree with you that our interests, whilst similar, will not always coincide. I am a very strong supporter and defender of the idea that we have to make independent judgments and assessments and be able to, at times, be critical of US strategic priorities. That is fair enough and that goes on.

Mr PRICE—Isn't there a dilemma? September 11 fundamentally changed America. What is the price you pay for that criticism in that changed America? Can you envisage situations where, in fact, some of the relationship begins to drift or is not as strong as it was?

Dr Ungerer—I am not quite clear of the question.

Mr PRICE—For example, let us say that we had made a decision not to go into Iraq.

Mr BEVIS—Sorry to interrupt. You mentioned Canada as an example.

Mr PRICE—Canada did change.

Mr BEVIS—If Canada are paying a price now, is that a factor of a changed America post 9-11 or would they have paid that price without 9-11 in some other contingency?

Dr Ungerer—I think if paying a price means that there have—

Mr PRICE—That is not me, by the way!

Dr Ungerer—No. But if by that you mean that there has been a degree of greater tension in the relationship, clearly that has been the case under the previous Chretien government, although I notice Paul Martin now is making great strides in trying to repair that relationship, including over issues such as missile defence. While you were talking I was reminded of a statement that Richard Armitage made to me and a former boss in a conversation we had last year. He said that, after September 11, America had shown the world its ugly and its angry face. I think that is very true, and he said that the task now is to start to repair some of that and go out and show all the good things that America does in the world and why it is critical that we stay the course in a whole range of areas.

I think it comes back to the point you were making before that there are common interests we have here. Those interests have more closely coincided as a result of the war on terrorism, but there are differences as well and we have to understand where those lines are drawn. I thought the submission by Professors Tow and Trood was very good in teasing out some of those dividing lines, and if the committee has a chance to—

Mr PRICE—Dr Ungerer, you did raise issues of missile defence, and I think you said in your opening address that Australia was well placed to provide technical assistance there. Having been to Indonesia twice in four months or so, I have to say our posture on missile defence is not readily understood in Indonesia. It does not seem to have been well explained. Could I get your comment about the regional reaction to Australia's involvement? Secondly, we have had evidence that in fact it is in our own interests to concentrate on cruise missile defence rather than ballistic missile defence.

Dr Ungerer—Let me touch on both of those points: the regional response and the cruise missile threat. In terms of regional governments and how they have responded to, particularly, Australia's announcement that it will be joining with the United States at least in the joint research phases of missile defence, what has been very clear is that the expected response from China has not really materialised. Although China a few years ago, under Ambassador Sha Zukang and others in the arms control branch of the foreign ministry, were very critical of US plans to deploy missile defences, in fact in China there has been a greater strategic accommodation of those ideas. As we move forward, I think there is not the earth-shattering type of strategic clash that many had predicted would occur at least between the United States and China, or indeed the United States and Russia.

On the Indonesian front, I have had conversations with senior officials of the Department of Foreign Affairs and Trade, who indeed have appeared before this inquiry, about the efforts that they made to at least talk through the issue with the Indonesians and to allay some of their fears. As I understand it, one of the principal concerns of the Indonesian government is that there could be some sort of falling debris over Indonesia as a result of any interception of missiles that may occur in the atmosphere. Such a concern, of course, can be quickly allayed for the Indonesians as it is such an unlikely and remote possibility that (a) there will be ballistic missiles fired at Australia in the near term and (b) there would be any falling debris as a result of an interception. The Australian government clearly has an obligation to explain to the Indonesians precisely what it is planning in these fields, as much for confidence-building measures as for anything else. But I think that some of the concerns that have been raised can be allayed.

The reason behind the whole regional reaction to missile defence and why there has not been the strategic clash that many had predicted is that everyone understands the world has moved on. The threat has changed—there is the continuing threat from countries like North Korea, the development of missile systems in Iran, and the outing of A.Q. Khan and others in Pakistan about the proliferation networks, some of which we know about and some of which we do not know about. Those proliferation networks are a threat to global interests. Australia has been a very strong defender of the nonproliferation regimes, such as the Missile Technology Control Regime, which tries to restrict the sale and development of ballistic missile systems. And we should be able to defend those. If part of defending those principles is to say that a missile defence system will ensure that there is a stronger deterrent against ballistic missile proliferation, then I am in favour of it.

On the question of cruise missiles, this goes to the whole heart of the broader threat from cruise and ballistic missile systems. Previous testimony before the committee is right in that in South-East Asia, apart from Vietnam, there is no known country with a ballistic missile capability. However, in South Asia and in parts of South-East Asia there has been an interest in the development of cruise missile technology, as indeed in Australia on occasions we have talked about the acquisition of cruise missiles. They are effective weapons. It is true again to say that ballistic missile systems, at least those under development, are not really geared towards defence against cruise missile systems which fly under radar and therefore are hard to detect. But I think that is precisely the reason why we have an obligation to assist with some of the technological development for the missile defence system, because our capabilities are in fact unique. The United States is very interested in the JORN as a wide area arrayed radar, because it does have the capability to pick up both missile launches and other movements of aircraft, and cruise missiles and other things. I think that sort of technological development can be very healthy for both sides, not just against the ballistic missile threat but down the track towards other threats such as cruise missiles.

CHAIR—On page 3 you commented that Australia would be able to contribute to US missile defence technologies through Jindalee over the horizon radar. Would we have to upgrade our facilities to contribute to missile defence?

Dr Ungerer—My understanding is that, as the memorandum of understanding is being signed between Australia and the US in the near term, there is not an expectation that we will upgrade any of the existing radar or indeed the ground relay station at Pine Gap. The American interest in JORN is in its range and scope of capabilities. It is a radar unlike others that exist in the US system and therefore they are interested in it. It is its architecture more than its actual capability. I do not know this for a fact, but my understanding is that there is no requirement, at least from the American side, on the table that we would upgrade existing capabilities but that the technology itself and the architecture of how it fits together might be something we can assist with.

Mr PRICE—In terms of our relationship, increasingly we seem to be making some purchases which are alleged to fit into our needs but seem—the tanks are a good example—to be more about being able to deploy where America is. We have always worked hard at interoperability with the Americans and particularly with the Seventh Fleet, until we got caught out by the need to work with central command. To what extent should our strong alliance relationship be reflected as a force structure determinant?

Dr Ungerer—That is a huge question and one that I would need lots of time to go through. I will make a brief comment about the broader debate which I think that question touches upon—the debate between ‘defence of Australia’ type people who support that sort of argument and people who support ‘expeditionary force’ type structure arguments.

Mr PRICE—Outside our region.

Dr Ungerer—Yes. The fact is that under the defence of Australia doctrine, the concentric circles doctrine, Australia has been able to do all the things that the ADF has been able to do, all the things that have been asked of it, in terms of interoperability with the Americans and in terms of operations other than war far afield. I still support the original premises and ideas that were

set down by the Dibb report and were carried forward in the Defence 2000 white paper and the defence capability plan that was set down there, which had strong bipartisan agreement, and the sorts of procurement efforts for the ADF were broadly agreed. I think those sorts of things should be followed through.

I do not believe that it is necessarily in Australia's interests to structure the ADF in a way that is geared only for operations that would sit alongside American forces. As we have seen in recent years in the Solomon Islands, Bougainville and East Timor, we have to do other types of things. Whenever I speak to senior ADF people, it is always the argument that you train for high-end ops and you can do everything else below that. I think that is a sound way to go about structuring the ADF.

Just on the Abrams M1A1 tanks, like Hugh White I am not a supporter of that decision. When I look at the numbers and the types of force structure arrangements, I agree with him that we should go for a lighter, more mobile force and perhaps if we needed tanks then we should have gone for the Leopard 2. An interesting thing a Japanese army officer said to me was: 'We have 1,000 state-of-the-art tanks and we call ourselves a self-defence force. You have fewer than 100 tanks and you call yourselves an army.' Now we are getting fewer. So it is an interesting comment.

Mr BEVIS—On the missile defence issue, I must say that obviously there is a benefit in having these things but, in a period 15 years after the Cold War is over, with the likely threats of non-state terrorism and the unlikely event of non-state terror having access to intercontinental ballistic missiles, to find money for this in a hard-pressed environment—and there is always a hard-pressed environment when it comes to finding money—strikes me as odd. I heard with interest what you said before on your support, albeit qualified, for it. I wonder if you would like to elaborate on that and, in particular, how, in the allocation of very scarce defence dollars, this has any sense of priority.

Dr Ungerer—I think the first point that should be noted is that the capability should be matched to threat. As we go forward we should carefully calibrate how we adjust our response to this according to the threat as it emerges. The threat is shifting and changing in ways that I think are not quite yet appreciated out there—in countries like Pakistan, Iran and other countries that are developing ballistic missile systems as a result of cooperation that they have had with the North Koreans. There is quite a rapid and escalated process by which some countries can go through from basic Scud types which are essentially derivates of the old V2 German rockets from the Second World War to a longer range missile capability. The time frames are collapsing as a result of some shifts in the technology. I think it is important to note that. So the threat could change in the next 10 to 15 years and we have to watch that carefully. Likewise, we have to calibrate our response to the threat.

The other thing about how we run procurement efforts to fit in with missile defence plans is that there is already, in the DCP in the 2000 white paper, a decision to buy air warfare destroyers. Those air warfare destroyers, if they are equipped with Aegis radar and, indeed, standard mark 2 missiles, are a very effective navy theatre missile defence capability that would have interoperability with US forces, particularly in East Asia. I think that, as the Japanese are heading down that path, it is sensible for other allies to look at how they would contribute or fit into a missile defence system.

The third point I would note here is that the Americans have described missile defence as a 'system of systems'. It is not one thing—it is not just the ground based interceptors at Fort Greely in Alaska or down the track at Dakota and other spots. It is a system of systems and they are all integrated, from the early warning data that comes through our ground relay station through Pine Gap and is transferred back to the United States, to JORN, which is able to track early missile launches, through to interception capabilities such as the air warfare destroyers and, indeed, the ground based interceptors in the United States. It is not a single isolated system. All of these systems are integrated and we have to understand that Australia is already very much part of the system of systems that is being designed for missile defence. As I said in my opening statement, it is a reality and we have to understand that. We should adjust our strategic response accordingly.

CHAIR—Thank you very much for your attendance today. We thank you for your submission, your time and your evidence. We appreciate the fact that you have a great interest in this.

[9.54 a.m.]

LYON, Dr Rod, (Private capacity)

SEEBECK, Ms Lesley, (Private capacity)

CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Dr Lyon—I appear here as a private individual, although I work at the University of Queensland.

Ms Seebeck—I am also here as a private individual. I am currently studying at the University of Queensland.

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. Would you like to make an opening statement to the committee?

Dr Lyon—Although I work currently as a lecturer in international relations at the University of Queensland, I previously worked in the strategic analysis branch of the Office of National Assessments, between the years 1985 and 1996. With me today is the fellow drafter of our joint submission, Ms Lesley Seebeck, who is currently undertaking her PhD research in the School of Information Technology and Electrical Engineering at UQ. Ms Seebeck has also previously worked for the Australian Public Service, in the Department of the Prime Minister and Cabinet and the Department of Defence and at the Office of National Assessments.

We thank the committee for the opportunity to speak today and to discuss with the members the issues raised by the broad terms of reference set out for this inquiry. Australia's defence relationship with the United States is important. It is a marker of Australia's diplomatic and strategic location in the current international environment. From the relationship flows a set of benefits to this country that would otherwise not be attainable at any cost.

We live in transformational times. The key theme running through our submission is that Australia should think about its defence relationship with the United States in transformational ways. That transformation is twofold. First, we have entered an era of strategic transformation, characterised by the emergence of unipolarity in the international system and the rise of weak actor threats. September 11 signalled that global strategic threats to Western nation states are no longer the preserve of other nation states. Inimical non-state actors such as al-Qaeda exploit failed and failing states and already possess the reach and organisation to threaten our societies. They have access to levels of capability once considered the preserve of nation states, and they operate within Western operational and capability cycles and without the inertia of state apparatus.

These new threats to our security are corrosive of our traditional understanding of warfare. The mode of attack common to such groups is asymmetrical and nonlinear. It casts doubt upon the durability of our current doctrine of defence, which envisages closing with an adversary in the air-sea gap. In a world of globalised weak actor threats, geography is a less important determinant of strategy than it has been in the past.

Second, we must be conscious of the capability transformation enabled by information and communication technologies. Such technologies are defining a new level of network-centric warfare amongst Western militaries. We have long passed the point at which Australia's defence forces could be content to be joint, and we have long passed the point at which the belated bolting of a particular piece of kit to a legacy platform could pass for interoperability with our major ally. Indeed, we are probably approaching—if we are not already in—a world where it is mistaken to think that Australia's security can be maximised by an ADF structured for self-reliance.

Both of these transformations present considerable challenges to Australia and bear directly on our relationship with the United States. The effects of the current dynamism in global affairs and military technologies will be profound and abiding. We cannot opt in or out on a whim. We anticipate that these transformations will force a reconsideration of how we think about issues of security, both at the level of official strategic policy and at the level of operational art. That concludes my opening statement. Ms Seebeck and I would be more than happy to discuss with members of the committee both our broad approach to the subject matter of this inquiry and particular aspects of our submission.

CHAIR—Thank you. On page 4 of your submission, you comment that the durability of ANZUS is 'testimony to its ability to contribute to the satisfaction of Australian interests'. Can the treaty be enhanced, or does it still serve us well in its current form?

Dr Lyon—Part of that question goes to what you mean by 'enhanced'. If you mean rewriting the treaty, I would be reluctant to do that in an environment where I think bipartisanship for the defence relationship is fragile, as it is at the moment, in the wake of the Iraq war. If we mean by some 'enhancement' an attempt to renegotiate or change terms of the treaty, I would reluctant to do that, given that, even if we were to embark on such an effort, it is not obvious to me that the treaty, in its legal provisions, could be much improved from Australia's point of view. I am more interested in trying to explore whether there is some way of improving the structural and institutional basis of the treaty, since, as we argue in our submission, the treaty is moving towards a more operational phase of its existence, in terms of use of force, and operationalised alliances usually demand better or more robust structures for consultation. Lesley, do you have anything to add to that?

Ms Seebeck—The only other thing I would note is the tendency of these things, once they have been opened up, to become subject almost to trivialisation to some degree. Because the ANZUS treaty is so deeply embedded within our society and our way of thinking, we have multiple stakeholders, each of whom would want a say, and it would be a very arduous process. So I would not be in favour of opening up the treaty for negotiation. In terms of institutionalisation, thinking about what we would need to build on the capability transformation, we would be looking at things like making sure there are better standards—again, the deep level things you can do between alliance partners.

Mr BEVIS—Can you flesh that out? What do you mean by institutionalising it? In trying to make some comparisons, I am thinking about NATO, which has the NATO Parliamentary Assembly, all sorts of committee structures and formal gatherings but in an environment where there is a number of countries.

Dr Lyon—Certainly the larger the treaty the greater the need for coordination. NATO is testimony to the fact that, early on in the Cold War days, it was an alliance with many partners, whereas ANZUS started with three partners, and three remain but in a somewhat haphazard formation. NATO was also given a greater degree of institutionalism because it was the alliance that butted up against the central weight of Soviet power in the Cold War. It had a headquarters and it had military planning committees and defence planning committees in a way that ANZUS did not have. For some decades, we have been content to pursue the sorts of alliance consultation needs that we have in an ad hoc and informal way, and there is much to be said for that.

Mr BEVIS—So what institutionalisation would you recommend?

Dr Lyon—I think you might start thinking about an ANZUS headquarters and maybe a small committee structure.

Mr BEVIS—How do you think the rest of our region would react to that?

Dr Lyon—I do not think Australia should think, first of all, about how the region would react to our security needs. I think how you explain the need for them to the region is an exercise for diplomacy.

Mr BEVIS—I would have thought that how our region reacts to us was a central part of both our foreign policy and our national security policy. I would have thought the special relationship we have with our region was seen as a particular advantage in Washington as well.

Dr Lyon—I am not aware that our region takes our membership of ANZUS so strongly or that it would take an institutional arrangement that we might make within it as grounds for any serious breach of relationships.

Mr PRICE—With great respect, I disagree. In the case of Indonesia there is no doubt that we are getting good cooperation on terrorism and on policing issues, but you would be hard pressed to suggest that the relationship is what I would call robust. It has certainly declined from the high-water mark. Some of the things that we are involved in, such as missile defence, are very much misconstrued in Indonesia. If we set up a headquarters and a committee structure, it would again be subject to a lot of misinterpretation, I would think, in our region. Indonesia is one of our most important neighbours and relationships.

Dr Lyon—I agree entirely with the point that it is an important neighbour and an important relation for us, but at the same time I am not aware that Australian governments have ever shrunk their strategic ambitions to fit with levels of public understanding of Australian security—

Mr PRICE—That is fair enough. Let me put it another way. The strengthening of ANZUS in the way you suggest is going to be designed not for regional imperatives but for beyond our

region. Whilst Australia always wants to be a good corporate world citizen, there has always been a lengthy debate in this country about such deployments and involvements. I can think of Somalia and Rwanda attracting a great deal of criticism about whether we should have been there. We certainly went there. Again, it has been shown that we were somewhat divided on the issue of Iraq.

Dr Lyon—We could have a debate about the metric that we use for deployments, but at the moment let us not go there. Let me go back to the question about strengthening the alliance. When we say that we think that the alliance ought to be strengthened we do not mean that its provisions would change to enable anything more to happen than has happened before. The only part of the alliance that we would be strengthening would be those aspects of alliance bureaucracy responsible for coordination.

CHAIR—In your submission, under the heading 'Whither Australia's "strategic trajectory"?', you state:

In large part, the future of the bilateral defence relationship will depend upon its ability to satisfy Australia's interests. Those interests do not stop at our coastline. Australia is a stakeholder in both the global and regional order. The defence relationship with the United States provides us with opportunities to further a wide spectrum of our interests.

Would you like to elaborate on those interests? You say that Australia's interests do not stop at our coastline and that we have an opportunity with the United States to further a wide spectrum of our interests.

Dr Lyon—The particular part of the submission that you quoted goes to one of our fundamental judgments. There is no debate in Australia about where Australia's interests begin. They begin with the continent of Australia. The debate in Australia is over where Australia's interests end. I for one would say that Australia's interests end at the very expansive view of having a global order that works to further the values that we take seriously and rewards societies that live by the principles of freedom, equality, justice and fairness. Insofar as we make efforts abroad, we do it on that basis. But in its history Australia has long done that. We fought in World War I because we believed that the outcome of it could be so serious for us that our interests would be affected, even though we lived in the South Pacific. We fought in World War II long before Japan was involved, on the basis that the outcome of that conflict could have such serious consequences for us that its effects would be felt in the South Pacific. We fought in Korea, Afghanistan and Iraq on the same basis. Australia's interests reach out to the level of the global order. They also reach out to the level of the regional order, and they can be brought back to the issue of the defence of the continental coastline.

Mr PRICE—We have never always been involved in those conflicts where that reward system that you are talking about is at stake.

Dr Lyon—Have we always been involved in them?

Mr PRICE—No, we have not. We have a good track record of being involved in peacekeeping and peace enforcing. We are certainly not stay-at-homes.

Dr Lyon—That is entirely true.

Mr PRICE—But we have never always been involved in every area where those issues are raised.

Dr Lyon—Now we are getting close to the issue of how we make judgments about the basis of Australian engagement in a conflict that is far from our shores. I know that at least one of the other submissions argues that we should get up in the morning and make decisions about the alliance by pretending that we are not allied. That strikes me as a very strange metric because we do not get up in the morning and make decisions about the UN pretending we are not part of the UN. We do not get up in the morning and make decisions about the Commonwealth pretending we are not part of the Commonwealth or making judgments about the region and pretending we are not part of the region. But what is the basis on which we ought to make judgments about deployments? It seems to me there are three of them. First is the particular conflict or engagement—one in which Australia has intense interests in the outcome. You might make that decision based on the full knowledge that you are an ally, it seems to me. The second basis on which you make the judgment relates to what you could call load bearing. Australia is a middle power with limited capacities and we have to make judgments at each point about how we deploy the ADF in terms of the physical constraints that are required—not just that the equipment runs down but that men and women get tired. The third way of making the judgment goes to effectiveness—that is, where we think our contribution can be invested in ways that give us maximum effect in shaping the outcome. I think that is how we have traditionally done it and probably what we should be doing in the future.

Mr BEVIS—Presumably overlaid on that are the broad principles you described before about a set of values of right and wrong or justice and help.

Dr Lyon—Yes.

Mr PRICE—Could I just address the load bearing. We talk about the ADF being at very high tempo. The government has said that we should be able to deploy a brigade and concurrently a battalion and sustain it. The committee has been finally officially advised that the Army, for example, has abandoned the notion of one unit being deployed, one unit training up and one resting. We have gone to twos, which I think puts inordinate pressure on personnel. We do not have the lift capability to deploy a brigade and concurrently a battalion. It seems to me that we really need to take stock of where the ADF is before we land ourselves in a disaster.

Ms Seebeck—You are absolutely correct on that. We can expect the current high tempo to be sustained for a long period of time, simply because the cadence of attacks being directed at the West are increasing and have increased for some time. That has knock-on effects in terms of force structure, how you get things out to where you want them and how you manoeuvre your forces through time and space over long distances. It has knock-on effects on logistics, supply chains and so on. I do not mean that you go for a just-in-time system, but there is a lot more in storage and supply. The knock-on ramifications are that we really do have to rethink what the ADF is going to look like—how it is structured and how it operates—and those are, again, the changes that we are talking about. The other point is about network-centric warfare. We need to be in a situation where we can effectively plug and play with our allies, and that means predominantly the US, because it is leading the way.

Dr Lyon—On the point about size, I think our ADF is still fundamentally sized and built for an environment that dates from the Cold War. During the Cold War, as we say in our submission, force was predominantly used by not being used, if I can put it in such an oblique fashion. What we are facing now is steep manpower shortages, and perhaps we need to go back to the point of looking again at the whole issue of the force structure that we have and the shape that it has. Those issues of capability have to spring from something that has not been done so far, and that is a revisiting of the defence white paper of 2000.

Mr PRICE—You say we need to go back to basics and reshape it. Can you expand on that?

Dr Lyon—You can only build a force structure to cope with a threat once you know what the threat is, and I think the delineation of threats and the understanding of the security environment that comes from the 2000 white paper is now conceptually inadequate as a basis on which to proceed into the world.

CHAIR—Is it a post 9-11 environment that you make those comments in?

Dr Lyon—It is a post 9-11 environment, but it is wrong to think that 9-11 by itself changes the world; 9-11 crystallises changes that have been there for a long time about the changing nature of the war-making unit and the fact that people no longer needed mass in order to be an effective war-making player in the modern environment. Those changes have been occurring more slowly and insidiously.

CHAIR—How then do you see in this environment today the doctrine of the defence white paper? Going back to the direction of Australia's strategic trajectory, you said that we have got opportunities, or responsibilities, to further the wide spectrum of our interest. How do you see the doctrine of the defence white paper in the environment which we are confronting now and will confront in the future?

Dr Lyon—I think the doctrine of the defence white paper is a sandcastle the tide is washing away. Within history there is now a set of trends increasingly evident of globalisation, the diffusion of technology, the rise of weak actor threats and the demise of geography as a determinant of strategy. I think all these things are knocking down the sandcastle on the beach.

Mr BEVIS—Is that in respect of the defence white paper as a defence document or as a national security and foreign affairs document?

Dr Lyon—I do not quite understand the question.

Mr BEVIS—I am trying to understand whether in the description you just gave of the defence white paper there is a distinction between it being a defence document, upon which you presumably base subsequent force structure considerations, and it being a statement of national security and foreign policy, which encompasses much more. For example, when you spoke earlier about the things that fitted into that construct you mentioned all the wars we have been involved in but you did not mention our keen involvement in the establishment of and support for the United Nations and participation over many years, which clearly goes to questions of national security but is not part of, as it were, military force structure.

Dr Lyon—I think we are talking about the defence white paper in both those senses, that it is not merely enough to sit back and think about our defence in trying to reconstruct a conceptual basis that would guide force planning, although it has to do that in the sense we are probably going to decide we need a bigger Army and need more capability and it is going to be used more often. I think it is also more than that. It is a statement about where Australia sees its long-term connections and the viability of its security, how it sees the global order that it wishes to endorse. So it is all of those things.

Ms Seebeck—It is a case of defence merely being an extension of politics. War is an extension of politics. It is one part of the whole spectrum. Therefore, again, you need to consider how your diplomacy fits into defence. For too long defence has been held static and held apart from the remainder of our tool kit, if you like.

Mr BEVIS—It is more than an extension; it is a failure of politicians and it is a failure of diplomats.

CHAIR—Is that an opinion or a question?

Mr BEVIS—Whenever we send some poor person off to face a bullet between them and us, it is because we have not done our job as politicians well enough.

Ms Seebeck—Perhaps they hate us too much.

Mr BEVIS—There is always that contingency when you are dealing with some people. I concede that point. We should talk about that another time.

CHAIR—Is it then that the white paper 2000 is not a document that serves us well now in this modern environment? Are you suggesting that we need a new white paper?

Dr Lyon—That is the first of our policy recommendations that we have submitted. Yes, I do think that it is time for Australia to revisit the hard conceptual questions on security. The Bush administration has already done it in its National Security Strategy of September 2002. That strategy codifies one of the most radical transformations in national security thinking that Western states have seen in the past 50 years.

Mr BEVIS—How does the purchase of something like an Abrams tank fit into the philosophy you just described?

Dr Lyon—Abrams tanks are not useful merely for the big clash of great powers against great powers. I suppose many in Australia see them that way. The only tank battle they could really envisage in the days of the Cold War was in the clash between the Warsaw Pact and NATO. But if you go back to advice written before the Cold War erupted—to the sorts of marine manuals that the US marines were using some decades back—the tank is actually strongly endorsed as a force protection unit in a small conflict.

Mr BEVIS—I am not querying armour or the role of tanks in modern warfare or in any reasonable definition of our purposes. Within the context of what you were describing before,

how does acquiring a comparatively small number of the biggest and heaviest tanks on the planet—certainly in the Western armoury—fit into your philosophy?

Dr Lyon—There are two answers to that. I guess the first one goes to the normal task that the ADF will most probably be involved with in the next 10 years, and it seems to me that that has to do with political stabilisation. The stabilisation efforts that you put in will have to be land based because you will be rebuilding or reconstructing societies, not flying an aircraft at 30,000 feet or sitting on a frigate offshore. It seems to me in that environment, where you are going to be putting ADF lives at risk, then the tank is a valuable force protection unit.

Mr BEVIS—I agree with that.

Dr Lyon—The second answer I would give concerning why you should buy Abrams rather than something else goes to the issue of interoperability, and it opens up another part of the ball of wax, I suppose. We should buy Abrams rather than something else because they provide us with many more options for an ability to work jointly and smoothly with our main alliance partner.

Mr PRICE—That is the question: do you see us working together in our region with the Americans? Do you see an Australian force and an American force operating in our region?

Dr Lyon—I am not sure what you mean by our region.

Mr PRICE—In the arc of instability.

Dr Lyon—In the South Pacific islands across the top?

Mr PRICE—Yes, and Indonesia, Malaysia, Singapore, the Pacific, PNG and Fiji.

Dr Lyon—I do not see a lot of options for American engagement there in the sense of them deploying tanks alongside ours, but I do see options there for them deploying support forces alongside ours, and they have done that in the past.

Mr PRICE—In East Timor they did. I actually thought the most valuable and underrated contribution America made was on the issue of diplomacy with the Indonesians. That was probably worth a couple of battalions.

Dr Lyon—Agreed.

Mr PRICE—I am not excluding that, but I find it increasingly hard to envisage that the Americans will be in our part of the world. My point to you would be: we have an Indonesia that believes Australia wants to further dismember it. We have the Solomons well and truly in the cart as a failed state, PNG classified as a failing state and now the Philippines is in that basket. The failing state issue is something that we have not really grasped in white papers and so on, yet increasingly it is likely that that is where we will need to use the ADF. Again, I cannot see the Americans coming in.

Dr Lyon—On the Philippines they would be.

Mr PRICE—Sorry, not the Philippines, but PNG, Fiji, the Solomon Islands—

Ms Seebeck—There are a couple of things here, if I could just speak to this for a moment. Firstly, even in East Timor, as you pointed out, they gave us logistical support. So, again, it is not necessarily the spearhead by which they are doing that.

Mr BEVIS—But the interoperability of those scenarios is in command structures.

Ms Seebeck—Secondly, even when we steam up the New South Wales coast, we are plugged into their grid. In the same way, if we go in on a land based system, we will be plugged into the grid and using the information, intelligence and command and control systems. Therefore, something like the Abrams tank—because the systems we are going to be looking for are those which are born joint; you cannot bolt a lot of these back on to other things—is the piece of kit you are after.

Mr BEVIS—So, to be interoperable, we need to buy American—is that what you are telling us?

Dr Lyon—Increasingly that is going to be true.

Mr BEVIS—What does that mean for Europe? What does that mean for NATO?

Dr Lyon—NATO has the same problem.

Ms Seebeck—NATO is going down that way as well.

Mr BEVIS—Hang on, I think there is a great wealth of evidence to dispute that.

Ms Seebeck—I have been reading some of the UK stuff.

Mr BEVIS—I am going there in two weeks.

CHAIR—Rather than a discussion I think questions and answers would be great.

Mr PRICE—I was rather enjoying that!

CHAIR—I think it is probably hard for Hansard recording it.

Mr PRICE—But I thought interoperability had two senses: one is being 'technically interoperable', and sometimes you can adapt different systems so that you do get interoperability; and the second is the way you are able to manoeuvre together. There are two aspects to interoperability.

Ms Seebeck—Interoperability has a range of meanings. You have heard already during this hearing a whole range of meanings from virtually ships passing in the night to 'we want to get as close as we possibly can', and the only thing that separates those is a thin line of logic. When we talk about interoperability we are talking about trying to get into the systems. You have systems

on board you have connection to. These are better, and the US people say themselves—because they have the same problem with 'jointness' and operability between their services that we have complained about for years—that you need systems which are born joint. It is very hard to back up legacy systems. You may have this experience yourselves at home: if you have a teenager, they like playing computer games. You end up throwing out the PC you have simply because they will not play the games or you do not have the right card. It is exactly the same situation but magnified so many times because of the complexity of the systems you have.

Further, there is another way of looking at interoperability, and that is from the bottom up. You have the large backbone of information and communication technology and you build up from there. Interspersed in there you have both the software—and we should not always be relying on software solutions, because I can tell you from experience that software is very hard—and what the IT people refer to as the 'wetware'. That is the social parts of the system—the people, the structure, the culture, the skills, the alliance framework and the trust you build up. So we start building up that way. We are lucky in that we already have a lot of those social systems in place. We do a lot better than most others who try and do this.

Mr PRICE—Getting back to East Timor, I can imagine that, if we were able to land some Abrams with the Americans' assistance, we could have them rumbling up and down Dili. But I am not sure how we would get them anywhere else without absolutely destroying the infrastructure of the roads. Indeed, the stuff that we had there was sufficiently damaging, and that was not anywhere near the weight of the Abrams.

Dr Lyon—I think the reason the Army went for Abrams has to do with the fact that they ran a series of tests themselves on the vulnerability of light armour to rocket propelled grenades and came to the conclusion that they needed something of about Abrams' weight.

Mr PRICE—I am not sure that that is right. We had a look at Operation Head Start. It scientifically establishes the point that you already made, that it protects infantry. If they have done that, as you suggest, then I think they have an obligation to put that on the public record or at least give the committee access to it. If that exists, it is something we will no doubt explore with them. Could I just make the point that Operation Head Start—I always get confused with the name, I apologise—crunched the numbers in terms of casualties with and without various things. I am not aware that that number crunching by DSDO was about different types of tanks. I will stand corrected. You raised an interesting point and we will try and get an answer on the public record.

Mr BEVIS—I have a question on the issue of non-state threats, which clearly requires a major refocus on the global security environment, and for us. No doubt any properly functioning and well focused alliance is an advantage in that, but there is the question of non-state threats, because of all the reasons you described before, being something that requires a multilateral, indeed a global, agenda and an agreed response. The capacity for anybody unilaterally, or a couple of countries, to deal with that is, even from a military perspective, unlikely to succeed. I guess the broader question, having qualified the start of my question, is that, whilst there has to be a military response to these threats, there are clearly—as is often the case in any event, even with state conflicts—social, economic and cultural issues that have to be addressed irrespective of what you might do militarily.

Dr Lyon—I agree entirely with the final point. When you are confronting a series of non-state actor threats, you can confront them with a whole set of instruments available to you, and those are diplomatic, economic, social, political and financial, as well as law enforcement and military instruments. The world is still exploring the rise of that non-state actor threat and the sort of demassification of the war making unit that has gone alongside it. Because it is still exploring it, we are still in the period of strategic transition that is post September 11, and we might be for some years yet. As part of that transition, though, you ask, 'Shouldn't we rely heavily on multilateral institutions?' Certainly, where you can, that would be a good place to start. But I have a touch of sympathy for the Bush administration's view that says that multilateralism is not a gentle rain that falls from top-level institutions but is something that you work at building from the ground up in relation to specific problems. So coalitions of the willing are multilateral institutions and they are built from the ground up in relation to a specific problem. I do not think the Americans are at heart a unilateral people. Indeed, a lot of the national security strategy cries out for great power cooperation and for coalition building.

Mr BEVIS—You do not think 9-11 changed their view of their role? There were two events: the end of the Cold War and the unipolar world in which they dominate, and the events of 9-11. Do you think those events made a difference in their view of operating unilaterally?

Dr Lyon—No, I think 9-11 made America a wounded giant, but it is still a wounded giant that takes seriously—

Mr BEVIS—I thought that, in those many months of arguing about whether or not things would go through the UN, the President basically said that America was pressing ahead with its position regardless.

Dr Lyon—Yes.

Mr BEVIS—I would have thought that was a definition of unilateral action.

Dr Lyon—Yes. That is to say that multilateralism does not drop as a gentle rain from the global institution we usually think of as associated with it. The President made it clear that the UN would not be a check, that US power would not be bounded by the requirement to obtain a specific UN resolution authorising the action. But I think it is wrong to move from that to saying that the Americans are, at heart, unilateralist.

Mr BEVIS—What is the distinction? Can you flesh that out for me?

Dr Lyon—America believes—and it says all these things in its national security strategy—that, in the war against non-state actors, it ought to be part of a broad coalition. It encourages the growth of that coalition, but it thinks that that coalition does not emerge from institutions of multilateralism that are already there. It means the sorts of multilateral effort it wants to make, it wants to build upwards rather than see emerge downwards, if I can make that distinction.

Mr BEVIS—As you were describing that, the thought that flashed into my mind was of how their approach to trade agreements has been described: a 'hub and spokes' arrangement rather than a multilateral arrangement.

Dr Lyon—I think that, if you gave America the choice and if you gave Australia the choice, we would probably prefer to go the multilateral route on trade agreements, simply because previous WTO agreements have delivered us such good returns. Therefore, we should ask, 'What instruments stand in the way of those multilateral agreements, and why is it that things like the WTO are no longer delivering those sorts of agreements,' before we judge bilateral arrangements and hubs and spokes arrangements. Getting something out of the WTO has now become so hard—negotiations are so complex. There has been growth in the number of interest groups inside the WTO who do not necessarily support Australia's specific stance. This impacts upon our ability to get an outcome that we desire. I think people go for bilateral solutions when multilateralism does not deliver.

CHAIR—I want to ask about the implications of Australia's dialogue with the US on missile defence. On page 6 of your submission you say that cooperation on missile defence is a good thing as it dilutes the value of ballistic missiles in the hands of rogue states. What is the level of threat to Australia and to regional ADF deployments from ballistic missiles?

Dr Lyon—That would depend on where the ADF was deployed. I think you have to break that question into two parts. Firstly, what is the threat to continental Australia? Secondly, what is the threat to ADF forces when deployed in a theatre overseas where they might well be within reach of missiles that Saddam Hussein has or that North Korea has? You can see that as being something that might split Australia's interests in a certain way. We would be much more approving and welcoming of efforts to counter theatre range ballistic missiles or tactical range ballistic missiles because, firstly, there is a large number of such missiles in the world already and, secondly, because there is a much greater possibility of the ADF being within range of those missiles than of the whole continent of Australia moving anywhere closer. That would say that Australia's interests on missile defence are narrow and focused and that they pull us towards capabilities like those of Patriot missiles, which are optimised at the lower range of the ballistic missile spectrum threat. However, the problem with that is that it leaves unaddressed a small but worrying and growing problem, which is the growth of longer range and intercontinental range missiles. In terms of our worries about Australia, it is the growth in the latter group of missiles, the longer range missiles, that we should also focus on.

Mr BEVIS—Who is developing those? There has obviously been a reduction in the stocks since the Cold War era amongst the major players. If the imminent threat to us is from non-state players, in terms of scarce defence dollars and where these things are allocated, how does this issue get elevated up the food chain?

Dr Lyon—I know of no non-state actor who is building a ballistic missile—I doubt anyone does. In terms of those who have ballistic missile programs and are something like rogue or pariah states or weak states, North Korea is the one that people usually reach for. That is because we have seen in North Korea a state that built a missile that could serve its particular pressing need—that is, the need to target South Korea. But it did not stop there. It then built a missile not with the range of a few hundred kilometres but with a range of 1,500 kilometres. And it did not stop there either. It then started building a missile with a range of 2,500 kilometres. People said: 'These aren't related to the Korean Peninsula, are they? These are missiles that reach out to give greater status and eminence and a particular regional or global role.' So I suppose North Korea is the answer that springs most to mind.

Ms Seebeck—There is also a point there too and that is that North Korea is also building these not merely for status and national pride but also for sales.

Mr BEVIS—Maybe we should have gone there instead of Iraq.

Ms Seebeck—I think Iraq was the obvious and pressing problem.

Mr BEVIS—I am just being mischievous.

CHAIR—He is a stirrer. If Australia decides against participation in missile defence, would that alter the value Washington attributes to the alliance?

Dr Lyon—I do not think it would fundamentally change the alliance. I think in strong alliances allies are allowed to say no as long as they stand up and explain coherently the strategic basis on which they made the decision. I think Washington would be surprised that we had come to that conclusion. Would it irrevocably damage the alliance? No, it would not.

CHAIR—I want to go back to interoperability with the Americans and whether it means we should only buy American. That is going to obviously be a very difficult question for other parts of the world and other defence industries. Are you suggesting it should be interoperability only with the Americans because their systems that are going to carry the technology are always going to be the first order? Are there going to be other technologies and platforms that we should consider?

Ms Seebeck—There is every reason to consider other platforms. One of the dangers about getting too close to something is that you bind yourself into a situation of tight coupling and easy breakage: if something goes wrong the system could collapse. So there is an argument for diversity. However, when you are talking about interoperability, you are talking about wanting a good base on which to operate and standardise. It is not unlike when VHS became the standard for videos or how Microsoft is the way for most products, or the Internet as it stands means we do not go off and build our own Internet simply to say that this is ours. You will be going primarily for US based and US sourced material. Others, as we said before, are facing exactly the same problems or will be confronting the same issues. As new technologies develop and emerge, you will always get niche capabilities coming up. We want to keep an eye on that, and we want to do it ourselves as well. Yes, you are bound more tightly into the US system. Everyone else is facing the same problem—you want diversity and you always want to keep an eye on where the leading edge of technology is.

Mr PRICE—Are we always going to be able to afford the leading edge technology? Our partners have much greater dollar reserves than we have.

Ms Seebeck—There are two points. Again, this is a reason to go with the US, in the sense that a lot of the technology has already been tested in the field and so you get cost efficiencies by going that way. You have to try to find efficiencies. But this is going to be costly. It is like the Y2K problem. With the Y2K problem, we saw a great surge in people changing over systems and updating systems. They took the opportunity to update systems, because they had to, and they went to new levels of capability. Post Y2K we saw a plunge in the rate of growth but people still had higher levels of expenditure. And we are going to be facing the same situation here; we

already are. There are complaints about levels of interoperability within the ADF and why we rely on the US to provide it for us. It is because it is expensive. But we cannot do without it.

CHAIR—Some groups claim that the US restricts the sharing of source codes and intellectual property, to the detriment of Australian industry and ADF operational requirements. How real and how significant are those concerns?

Ms Seebeck—That is true. Businesses find the same problem with Microsoft and so on. Microsoft does not share its source code. This is a problem, for example, that AusCERT faces. One of the levels of interoperability is always going to be that you want be able to look at stuff and adapt it to your own particular needs. When we say 'interoperability', it is never going to be 100 per cent. There are always going to be variations. The only way you are going to even have any hope of getting access to source code or getting Australian industries access to the US defence budget is by going down that route and showing that you are interested and that you are playing the same game.

Dr Lyon—And contributing to it.

Ms Seebeck—At the same time, we are seeing with the JSF the push from the other direction. This is an expensive exercise, and they are interested in burden sharing as well. Lockheed Martin realise that to do that they have to try to crash through the barriers at the other end too and free up flow to, particularly, those allies who are willing to spend and put money in. So it always going to be a problem. This is proprietary material. If you go down the COTS route—commercial off-the-shelf technology—then it is not merely the US and the Pentagon you will be dealing with; you will also be dealing with private companies, which are notoriously protective of their intellectual property. So the situation gets more complex, and the only way you are going to have an in is by contributing and operationalising what you are doing. It is uncomfortable, I know.

Mr PRICE—I think it is important for us to have a robust public debate on defence issues, and you have contributed to that this morning.

CHAIR—Yes. If there is nothing else you would like to say, thank you for your attendance here today. We value your submission. You have stimulated some very good questions from the committee, and your evidence has been very helpful. We are finding that throughout the committee hearings, which demonstrates the level of interest in Australia's defence relationship with the US and where it is going. That is why the inquiry is important.

Resolved (on motion by **Mr Price**):

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

Subcommittee adjourned at 10.50 a.m.