

Australia's Defence Relations with the United States

Inquiry Report

House of Representatives
Joint Standing Committee on Foreign Affairs Defence and Trade

Canberra 2006

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Cover photo captions:

Air Load Team members of the Australian Special Forces Task Group (SFTG) unload equipment off a United States Air Force (USAF) C-130 Hercules at a Forward Operating Base (FOB) in Afghanistan while United States Army CH47 Chinook Helicopters take off in the background.
(Date taken: 01 September 2005)

HMAS SUCCESS conducts a replenishment at sea (refuel) with USS JOHN PAUL JONES during exercise Talisman Sabre 05.

Lance Corporal Anthony Peters (Eden NSW) of the Al Muthanna Task Group provides area security upon insertion from an ASLAV of the 2nd Cavalry Regiment, on commencing patrols on the outskirts of As Samawah, Iraq.



Foreword

The *Security Treaty between Australia, New Zealand and the United States of America* (the ANZUS Treaty) which came into force on 29 April 1952 is a key element supporting Australia's national security. The Treaty has operated for more than 50 years and still remains relevant in a strategic environment increasingly challenged by terrorism and non-state actors. It is a result of this environment that the Treaty was first invoked following the 11 September 2001 terrorist attacks on the United States (US).

Since World War II, Australia and the 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 and Australian involvement in US led coalitions in Afghanistan and Iraq.

The evidence to the committee is overwhelmingly in favour of the alliance and the security that it provides for Australia. There was some discussion about the ongoing relevance of the Treaty and whether there was a need to enhance the Treaty to more broadly reflect contemporary strategic needs. While there was little support for re-negotiating the Treaty, some groups suggested that traditional alliances will need to adjust considerably to defeat the types of asymmetric threats faced by western allies in the 21st Century. Other groups cautioned that Australia should be more careful in how it manages the alliance to ensure Australia's interests are not subsumed by those of its larger alliance partner.

The committee through its inquiry has examined how Australia's alliance with the US impacts on the security of the Asia - Pacific region. Evidence to the inquiry strongly supports US engagement in the Asia - Pacific region and indicates that Australia's relationship with the US is seen by most countries as a positive influence on regional security. The Committee found that Australia and the US can do more to encourage the development of democratic processes in the security forces of Indonesia and has encouraged the US to lift legislative restrictions on US training assistance to the Indonesian Military. The Committee has also considered the impact on the Australia US Defence relationship of the emergence of a more powerful and assertive China. The Committee found that Australia's relationship

with both the US and China are such that Australia has the potential to act to ease any future tensions that might emerge between these powers.

In undertaking its inquiry the Committee has received significant assistance from both the Australian and US Departments of Defence, including support for a delegation to the US to seek their perspective of the alliance. During this interaction even the most senior US military personnel have consistently reported on the excellence of the performance of the ADF in all training and operational activities. This performance bolsters Australia's contribution to the alliance and earns great credit for the Australian Defence Force and for Australia.

Hon Bruce Scott, MP
Chair

Defence Sub-Committee



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Membership of the Committee

Chair	Senator A B Ferguson	
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Members	Senator A Bartlett (from 9/12/06)	Hon B G Baird, MP
	Senator the Hon N Bolkus (until 30/06/05)	Mr P A Barresi, MP
	Senator G Campbell (until 28/12/05)	Mr M Danby MP
	Senator the Hon P Cook (until 30/06/05)	Mrs T Draper, MP
	Senator P M Crossin (from 9/12/05)	Mr S W Gibbons, MP
	Senator A Eggleston	Mrs J Gash, MP
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Dr A J Southcott, MP (from 8/02/06)

Senator N Stott Despoja

Mr C P Thompson, MP

Senator R Webber

Mr M B Turnbull, MP (until
8/02/06)

Ms M Vamvakinou, MP

Mr B H Wakelin, MP

Mr K W Wilkie, MP

Secretary Dr Margot Kerley

Defence Lieutenant Colonel Fergus
Advisor McLachlan



Terms of reference

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 Australian-US 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.



List of abbreviations

ABM	Anti-Ballistic Missile
ADA	Australia Defence Association
ADF	Australian Defence Force
AIC	Australian Intelligence Community
AMTG	Al Muthanna Task Group
ANZUS Treaty	Security Treaty between Australia, New Zealand and the United States
APMLC	Asia Pacific Military Law Centre
ASEAN	Association of Southeast Asian Nations
ASPI	Australian Strategic Policy Institute
AUSMIN	Australian-US Ministerial Consultations
DITR	Department of Industry, Tourism and Resources
DMO	Defence Materiel Organisation
DPRK	Democratic People's Republic of Korea
DSP	Defence Support Program
DSTO	Defence Science and Technology Organisation
FDI	Future Directions International
GDP	Gross Domestic Product
ICTs	Industry Capability Teams
IMET	US International Military Education and Training
ITAR	International Traffic in Arms Regulations
JCTC	Joint and Combined Training Centre

JSF	Joint Strike Fighter
MAPW	Medical Association for Prevention of War, Australia
MBTs	Main Battle Tanks
MOU	Memorandum of Understanding
NATO	North American Treaty Organisation
PACOMD	US Pacific Command
PRC	People's Republic of China
PSI	Proliferation Security Initiative
RAAF	Royal Australian Air Force
RAMSI	Regional Assistance Mission in the Solomon Islands
RAND	US 'Think Tank' (derived from Research and Development)
R&D	Research and Development
RGS	Relay Ground Station
RIMPAC	Rim of the Pacific Exercise
ROE	Rules of Engagement
ROK	Republic of Korea
RSL	Returned and Services League of Australia Limited
SAS	Special Air Service
SBIRS	Space-Based Infra-Red System
SDI	Strategic Defence Initiative
SMEs	Small and Medium Enterprises
SWBTA	Shoal Water Bay Training Area
TAC	Treaty of Amity and Cooperation
UK	United Kingdom
UNAA	United Nations Association of Australia Incorporated
US	United States of America
WILPF	Women's International League for Peace and Freedom
WMD	Weapons of Mass Destruction



List of recommendations

The ANZUS alliance

Recommendation 1

The Committee recommends that the ANZUS Alliance be maintained in its current form and that the treaty be viewed not just as a specific set of requirements, rather as a statement of shared values capable of being acted upon in the face of evolving contemporary threats.

Australian force structure, interoperability and intelligence

Recommendation 2

The Committee acknowledges that the free passage of information on the internet is likely to ensure that threat techniques faced by western forces in Iraq and Afghanistan are transmitted to disaffected groups in our region, meaning future regional conflicts may become increasingly violent and lethal. The Committee recommends that force structure decisions must therefore be based on the provision of the best possible protection for Australian Defence personnel.

Recommendation 3

The Committee supports the continuing enhancement of cooperation between Australian and US intelligence agencies; however, sufficient investment must be made in Australian analytical capabilities to ensure Australian analysis of US raw intelligence material is always undertaken.

Combined defence exercises

Recommendation 4

The Committee supports the continuation of joint training between the Australian and US Defence Forces and recommends that the Joint Combined Training Centre (JCTC) concept be codified in a Memorandum of Understanding before Exercise Talisman Sabre 2007.

Recommendation 5

The Committee recommends that the Australian Defence Force continue to apply the most appropriate rules of engagement consistent with the Australian assessment of application of force.

Australian defence industry development

Recommendation 6

The Committee recommends that the Australian Government make every effort to obtain exemption from ITAR from the United States Government in respect of defence goods and services purchased from the United States for Australian Defence Force purposes.

Introduction

Background

- 1.1 On 14 October 2003, during the 40th Parliament, the Joint Standing Committee on Foreign Affairs, Defence and Trade (the Committee) commenced an inquiry into Australia's defence relations with the United States (US).
- 1.2 The Committee received 20 submissions and conducted four public hearings between March and June 2004. When the Federal election was announced on 29 August 2004 the inquiry lapsed.
- 1.3 With the commencement of the 41st Parliament, the Committee resolved to write to the then Defence Minister, Senator the Hon Robert Hill, seeking re-referral of the inquiry. The Minister agreed to this request and on 17 January 2005 wrote to the Committee requesting that it recommence the inquiry.
- 1.4 To summarise progress made on the inquiry in the previous Parliament and to stimulate further discussion where there were gaps in the evidence, the Committee produced an Issues Paper. The paper helped focus debate on the key issues under consideration and stimulated a further four submissions. A final public hearing was conducted in September 2005 which allowed members to seek evidence of recent changes in the Strategic environment in the Asia - Pacific region.
- 1.5 To confirm elements of the evidence to the inquiry and to gain first-hand knowledge of the US perspective on military and strategic policy issues relating to Australia and the Asia Pacific region, the Parliament sent a delegation of seven members of the Joint Standing Committee on Foreign Affairs, Defence and Trade to the United States in July 2005 for an

extensive series of inspections and briefings. The delegation observations are the subject of a separate report tabled in Parliament on 10 October 2005 but deductions made by the delegation also informed the contents of this report.

Report Structure

- 1.6 The remaining chapters of this inquiry report broadly reflect and discuss the matters identified in the terms of reference. The views of various individuals and groups who provided evidence to the Committee are summarised and presented and, in particular, where there are alternative positions these are highlighted.
- 1.7 Chapter Two will consider the contemporary relevance of the ANZUS alliance. It will discuss the potential for alliance entrapment, the degree to which the Australian public are aware of the value and risks associated with the alliance and the impact of New Zealand's approach to the alliance.
- 1.8 Chapter Three will consider the relevance of Australia's military force structure in the context of its ability to meet both emerging asymmetric threats and to contribute meaningfully to the alliance. The chapter will include discussion of the advantages and costs of achieving interoperability with the US and how this impacts on decisions about the purchase of military equipment. Where it is not limited by the classification of material, the report will also discuss the importance to Australia of being part of the US intelligence alliance.
- 1.9 Interoperability leads to consideration of the value to the alliance of combined Defence exercises. The discussion in Chapter Four will include comment on the value of traditional exercises, such as Exercise Talisman Sabre and Rim of the Pacific, and the emerging concepts to achieve a Joint Combined Training Centre (JCTC).
- 1.10 Chapter Five will consider the issues surrounding the Australian dialogue with the US on Missile Defence. The chapter will describe some of the concepts being considered, the advantages and disadvantages for Australia and domestic and regional perceptions.
- 1.11 Chapter Six widens consideration to determine the impact of the Australia US alliance on the Asia - Pacific region. The report will also discuss the impact of strategic developments in the region on Australia and its relationship with the US. In particular the inquiry has considered developments in China, and the impact of tensions over Taiwan. It discusses ASEAN with a focus on Indonesia and on strategic

developments in north Asia where Japan, the Koreas and India were of significant interest.

- 1.12 The report concludes with a discussion of the Australian Defence Industry. The report confirms the importance of a national defence industry capability then considers how the niche Australian industry components can be made most effective. The survival of Australian defence industry is linked to access to the giant US defence market and the report discusses the impact of legislative and other impediments imposed by the US.

The ANZUS alliance

Introduction

- 2.1 The *Security Treaty between Australia, New Zealand and the United States of America* (the ANZUS Treaty) has remained Australia's most important strategic alliance since it came into force on 29 April 1952. The Treaty has operated for more than 50 years and the alliance it created appears to remain relevant in a strategic environment increasingly challenged by terrorism and non-state actors. It is a result of the direct challenge by terrorists that the Treaty was first invoked following the 11 September 2001 attacks on the US.
- 2.2 In the 2005 Australia - United States Ministerial Consultations both sides stressed the ongoing relevance of the alliance. The joint communiqué stated:

Both sides emphatically affirmed the enduring significance and relevance of the alliance and its firm basis in shared values, interests and sacrifice. They welcomed the strengthening of the alliance in recent years, noting closer cooperation in intelligence matters, improvements in joint training and interoperability of their military forces, as well as the emergence of new areas of cooperative endeavour such as missile defence research. They committed to identifying further ways to increase allied interoperability and defence cooperation to aid coalition military operations.¹

1 Department of Foreign Affairs and Trade, *2005 Australia United States Ministerial Consultations Communiqué*, http://www.dfat.gov.au/geo/us/ausmin/ausmin05_joint_communique.html, accessed 21 Nov 05.

- 2.3 The evidence to the inquiry is overwhelmingly in favour of the alliance and the security that it provides for Australia. The evidence to the Committee is supported by research sponsored by the Australian Strategic Policy Institute (ASPI) that states:
- ...an overwhelming majority of voters and major party candidates see the ANZUS alliance as important to Australia, the only question being whether they see it as 'very' or 'fairly' important.²
- 2.4 In evidence to the inquiry there was some discussion about whether there was a need to enhance the Treaty to more broadly reflect contemporary strategic needs. While there was little support for re-negotiating the Treaty, some groups suggested that Australia should be more cautious in how it manages the alliance. In particular, these groups suggested that Australia needed to ensure that it was seen as being independent in developing foreign and strategic policy and was not overly constrained or influenced by US policy. In addition evidence indicates that significantly more can be done to increase knowledge and debate about the alliance.
- 2.5 This chapter will provide an overview of the ANZUS Treaty, and examine some of the concerns raised about Australia's independence, the lack of public knowledge about the alliance and suggested strategies for managing the alliance into the future.

History

- 2.6 The ANZUS Treaty was drafted in the shadow of the cold war and the increasing instability arising from the consolidation of communist power on the mainland of China, and overt communist aggression in Korea.
- 2.7 The *North Atlantic Treaty* that established the North Atlantic Treaty Organisation (NATO) was signed on 4 April 1949, and was the type of arrangement that both Australia and New Zealand wished to create for the Pacific. At the same time, Australia and New Zealand were concerned that NATO implied that British and American attention would be focused on the European theatre at the neglect of the Pacific. The US was initially reluctant to commit to a specific treaty covering the Pacific region. This position, however, was reversed following the victory of communist forces on mainland China in 1949, and the attack on the Republic of Korea in June 1950. Through this period, communism was seen as more of a threat than a militarily resurgent Japan.

2 Professor Ian McAllister, ASPI Strategy Paper, *Representative Views: Mass and Elite Opinion on Australian Security*, p 22

- 2.8 By the end of 1950, both Australia and New Zealand concluded that a regional defence pact would help to increase security in the region. New Zealand favoured a Pacific pact which would make an attack on one signatory an attack on all as a corollary of a peace treaty which would permit limited Japanese rearmament. This view was accepted by the US.
- 2.9 On 19 April 1951 President Truman announced that Australia and New Zealand had proposed an arrangement between them and the United States 'which would make clear that in the event of an armed attack upon any one of them in the Pacific each of the three would act to meet the common danger in accordance with its constitutional processes; and which would establish consultation to strengthen security on the basis of continuous and effective self-help and mutual aid.'³
- 2.10 On 12 July 1951 the final text of the Treaty was agreed upon, followed by formal signing on 1 September 1951. The Treaty entered into force on 29 April 1952.

Mutual assistance

- 2.11 A copy of the Treaty can be found at Appendix B. The Committee as part of its previous inquiry into the ANZUS Alliance examined in detail the guarantees of mutual assistance under the Pact contained in Articles II, III, IV and V.⁴ One of the key issues examined by the then Committee was the operation and effect of Article IV which is reproduced below:

Article IV

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.

Any such armed attack and all measures taken as a result thereof shall be immediately reported to the Security Council of the United Nations. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

- 2.12 Article IV does not commit the US to the use of military force were Australia subject to armed attack. A possible response by the US could include assisting Australia with the supply of military equipment or

3 cited in Joint Committee on Foreign Affairs and Defence, *Australian-United States' Relations, The ANZUS Alliance*, Canberra, 1982, p. 4.

4 Joint Committee on Foreign Affairs and Defence, *Australian-United States' Relations, The ANZUS Alliance*, Canberra, 1982, pp. 5-16.

diplomatic pressure or by the application of economic sanctions or a combination of all these means.

- 2.13 The then Committee in assessing the impact of Article IV was not unduly concerned about the degree of flexibility contained in the Treaty. The point was made that the deterrence effect was and remains significant. The then Committee concluded that 'the deterrence factor would increase to the extent that any aggressor would have to consider that the more effective an intended act of aggression against Australia, the more likely would become United States involvement in Australia's defence.'⁵ A similar point was made by ASPI in evidence to the current inquiry:

What is important about Article IV is not that we can assume that the United States would send their armed forces to defend Australia, it is that any potential attacker would have to think very carefully about whether they wouldn't.⁶

- 2.14 Similarly, Dr Robyn Lim commented that the main benefit of the 'alliance has always been that anyone contemplating an attack on us, or on our vital interests anywhere in the world, would have to calculate the likely response of the United States.'⁷

Relevance, benefits and costs

- 2.15 Evidence to the inquiry was overwhelming in its support for the value and relevance of the alliance, and the contribution that it makes to Australia's national security. It was suggested that the alliance remains as relevant if not more relevant than when it was first conceived to offset the insecurities that arose following World War II. Defence stated:

...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.⁸

- 2.16 In addition to the overall security benefits and deterrence effect arising from the alliance, there are also a range of immediate military benefits
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5 Joint Committee on Foreign Affairs and Defence, *Australian-United States' Relations, The ANZUS Alliance*, Canberra, 1982, p. 12.

6 Mr Peter Jennings, ASPI, *Submission 11*, p. 8.

7 Dr Robyn Lim, *Submission 13*, p. 2.

8 Mr Shane Carmody, Deputy Secretary, Department of Defence, 26 March 2004, *Transcript*, p. 3.

including access to intelligence and defence equipment sourced from the US. In addition, both the US and Australia engage in a range of effective and valuable training exercises. The US Ambassador to Australia stated:

The alliance we have today is far different than the alliance we first contemplated in 1951. No-one could have foreseen then that we would share the kind of intelligence that we do today. Together we each have a window to the world that would not exist if we were apart. Our militaries exercise, plan and deploy together around the world. Each of us is able to enhance our security by leveraging our individual assets with the assets of our ally for the mutual benefit of us both. We know more, talk more, consult more and trade more because we know each other more as a result of this alliance.⁹

- 2.17 The question was raised during hearings whether the ANZUS Treaty could be re-written with the objective of making it more relevant to the current strategic environment. There was no support for this proposal. Most groups believed that the Treaty was adequate and there would be few advantages from opening up a lengthy negotiation process. Professor William Tow and Dr Russell Trood commented that the 'treaty's current language and context provides the sufficient flexibility to allow it to remain viable in its current form.'¹⁰ Defence stated:

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.¹¹

- 2.18 In contrast to the positive appraisals of the alliance, some groups did raise reservations. The Medical Association for Prevention of War, Australia (MAPW) suggested that by hosting facilities on Australian soil 'that relate to preparing for or fighting a nuclear war...Australia's involvement adds to the threat of nuclear war.'¹² MAPW in relation to the impact of the ANZUS Treaty stated:

...the ANZUS Treaty must truly serve the security needs of Australians, rather than simply the needs of the most powerful party to the Treaty.

9 HE Mr Tom Schieffer, US Ambassador to Australia, 21 June 2004, *Transcript*, p. 3.

10 Professor William Tow and Dr Russell Trood, Griffith University, 2 April 2004, *Transcript*, p. 48.

11 Mr Shane Carmody, Deputy Secretary, Department of Defence, 26 March 2004, *Transcript*, p. 4.

12 Medical Association for Prevention of War, Australia, *Submission 16*, p. 6.

Further, it must not undermine global security. Unless it fulfils these conditions, which are no more than the very reasons for Australia's participation in the Treaty, it has failed us and should be abandoned.¹³

- 2.19 The United Nations Association of Australia Incorporated (UNAA) suggested that the ANZUS Treaty was no longer relevant. First, the UNAA was critical of the US policy of pre-emption and that this undermines 'the role of the United Nations and the international protocols that Australia has helped to develop over many years.'¹⁴ Second, the UNAA suggested that Australia should set its own directions, but feedback from UN sources suggest that 'Australia is increasingly seen as following rather than leading such international debates.'¹⁵ In view of these issues, the UNAA concluded that 'ANZUS has become more of a hindrance than a help.' The UNAA stated:

There has been some public debate about ANZUS, but there is apparently no inclination by the Government to renegotiate it in a way that brings it up to date. According to Daniel Fitton a researcher at Georgetown University, USA (*The Canberra Times*, 12 April 2004) ANZUS is outdated for several reasons - it no longer includes New Zealand, it makes no mention of terrorism, and it is very imprecise about the obligations of the treaty partners. Australia should take the opportunity to make its formal security commitments relevant for today.¹⁶

Alliance entrapment

- 2.20 Overall, the majority of evidence supported the broad objectives of the alliance and its part in underpinning Australia's national security. However, many of these groups that held this position did warn against Australia being subject to 'alliance entrapment', and asserted that it was necessary for Australia to carefully manage the alliance and ensure that Australia's independence is not compromised.
- 2.21 Professor William Tow suggested that there were benefits arising from the alliance but there was the need to consider the case of 'alliance entrapment.' Professor Tow stated:

13 Medical Association for Prevention of War, Australia, *Submission 16*, p. 6.

14 United Nations Association of Australia Inc, *Submission 18*, p. 2.

15 United Nations Association of Australia Inc, *Submission 18*, p. 2.

16 United Nations Association of Australia Inc, *Submission 18*, p. 3.

...do the perceived gains from the alliance still outweigh the potential costs that may be incurred by affiliating with it? The answer is probably yes, although the Committee may want to consider the notion of alliance entrapment. This is a classical concept of alliance politics in which one ally becomes involved in a particular situation that perhaps, left on its own, it would not wish to become involved in. In particular, there may be some implications from the US pre-emption doctrine of the Bush administration in September 2002. On the other hand, I tend to agree with Coral Bell in her latest book where she indicated that the US pre-emption doctrine may now be dying a quiet death, in which case the notion of an alliance engagement problem is probably less than it might otherwise be.¹⁷

2.22 During hearings, the capacity of the alliance to withstand diverging interests and indeed Australia's ability to promote its interests was examined. The Australia Defence Association (ADA) commented that the alliance should not be 'a blank cheque from the Americans to us, and it is not a blank cheque from us to the Americans.'¹⁸

2.23 Some groups suggested that Australia's closeness to the US restricted Australia's ability to articulate its own interests. Future Directions International (FDI) commented 'we may be too close at present, which can limit our ability to manoeuvre in accordance with our own national interests when they do not coincide with the US.'¹⁹ FDI concluded that 'we need to maintain a careful balance while being a close ally and 'confidant' with the US.'²⁰ Professor William Tow agreed with the point made by FDI. He stated:

There can at times be—more in terms of appearance than actual substance—the image of acquiescence or perhaps of Australia being too obsequious in certain situations. That is probably as much about how Australia is perceived by outside parties as the extent to which that is perceived by your ally. Clearly with the so-called deputy sheriff image in Australia's alliance policy with the United States, which selected Asian leaders have cultivated over the past six or seven years, it has been somewhat problematic for Australia to exercise maximum diplomatic leverage in the region. I am not saying it is a decisive element, but perhaps Australia should have been a bit more conscious of the image—or of the

17 Professor William Tow, Griffith University, 2 April 2004, *Transcript*, p. 48.

18 Mr Neil James, Australia Defence Association, 2 April 2004, *Transcript*, p. 25.

19 Future Directions International, *Submission 3*, p. 1.

20 Future Directions International, *Submission 3*, p. 1.

danger of the image being created – from the outset in terms of the so-called resuscitation of the alliance, which was very much on this government's mind after it was elected in 1996.²¹

- 2.24 The US Ambassador addressed the issue of alliance partners having diverging interests. He suggested that the alliance could tolerate different conclusions between the partners. He commented that 'we have often come to a different conclusion in the past on why we are here or on why we are doing this or that, but more often than not we have come to agreement – and that is on a bipartisan basis.'²²
- 2.25 The Returned and Services League of Australia Limited (RSL) in addressing this matter commented that it '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.'²³
- 2.26 The Women's International League for Peace and Freedom (WILPF) believed Australia was unable to exercise sufficient independence. The WILPF stated:
- The Howard Government's present deference to the US has led Australia into a position whereby Australia is apparently unable to exercise the requisite degree of independence of thought in order to serve Australia's national interests where they may not coincide with the interests of the US.²⁴
- 2.27 ASPI commented that 'it is inevitable that America's global dominance is a major factor shaping how Australia defines its own strategic interests and equally inevitable that Australia's overall impact on US is small.'²⁵ In this type of relationship, ASPI suggested that it is vital 'that we should do what we can to maximise our national access and influence in key decision-making forums in Washington.'²⁶ ASPI suggested that in addition to existing Australian-US Ministerial Consultations (AUSMIN) and strategic dialogues between officials, 'there would be value in looking at new ways of engaging the US policy community.'²⁷

21 Professor William Tow, Griffith University, 2 April 2004, *Transcript*, p. 49.

22 HE Mr Tom Schieffer, US Ambassador to Australia, 21 June 2004, *Transcript*, p. 6.

23 Returned and Services League of Australia Ltd, *Submission 1*, p. i.

24 Women's International League for Peace and Freedom, *Submission 17*, p. 2.

25 Mr Peter Jennings, ASPI, *Submission 11*, p. 3.

26 Mr Peter Jennings, ASPI, *Submission 11*, p. 3.

27 Mr Peter Jennings, ASPI, *Submission 11*, p. 3.

Managing the alliance

2.28 In view of the previous concerns that there was a perception that Australia is often acquiescent in its alliance with the US, a number of proposals were made to ensure that Australia exercised sufficient independence. Dr Ron Huisken, for example, proposed the following alliance management rules:

- in approaching alliance management—and particularly, of course, the big milestones in the alliance that come up, as they did in the case of Iraq—the first of these commonsense rules of thumb is to approach every major decision, especially those involving potential joint military operations, as if the alliance did not exist and, in fact, pose the question of whether we should enter into an alliance over the issue in question;
- the second rule is: do not aspire to be a loyal ally, but have the courage to affirm on each occasion that we are allies because we agree and that we do not agree because we are allies; and
- the third rule is: do not give any weight to the view that we should suppress our interests and instincts in order to accumulate favours or put the US in our debt and thereby make their assistance to us more probable in some future hour of need.²⁸

2.29 Dr Huisken concluded that in recent alliance examples, ‘I do believe that to varying degrees we stepped away from those rules of thumb in the most recent circumstances.’²⁹

2.30 Professor William Tow, when updating the Inquiry on the issue of potential for alliance entrapment at its final public hearing, indicated that some events had occurred that shifted the Government’s alliance centric position, when he stated:

But with the obvious interests that Australia continues to have in the region and those interests continuing to strengthen and grow, particularly with the China connection in terms of the trade issues, the Howard government seems to be shifting away from a distinctly American-centric strategic posture to one designed more to balance the alliance with regional political strategic interests and priorities.³⁰

2.31 As examples, Professor Tow quoted two events that indicated a re-affirmation of Australia’s strategic independence. The first of these was ‘Foreign Minister Downer’s observation in Beijing in August 2004 about Australia being extremely careful in involving itself in any future Taiwan

28 Dr Ron Huisken, Australian National University, 21 June 2004, *Transcript*, p. 18.

29 Dr Ron Huisken, Australian National University, 21 June 2004, *Transcript*, p. 18.

30 Prof William Tow, Australian National University, 9 September 2005, *Transcript*, p. 3

contingency,'³¹ The second and perhaps most significant development for Australia's foreign and security policy was the decision by Australia to sign the Treaty of Amity and Cooperation in South East Asia. While these two events may have caused some concern in the US both sides would recognise that 'occasionally we have to express our independence from the US in order to be a good ally.'³²

2.32 Professor Tow suggested that Australia's ability to manage the issue of alliance entrapment had become more sophisticated when he stated that:

I do not see alliance entrapment being a central concern of the relationship at this juncture. I think Mr Howard is being quite selective in terms of where he feels there are specific niches that Australia can continue to operate in the international counter-terrorism effort. Dispatching the troops to Afghanistan is part of that, because of the elections coming up on 18 September and also because the SAS have certain talents and capabilities that I suspect exceed those of their American counterparts.....So I think niche capabilities and niche opportunities are how you understand the Australian strategy to avoid alliance entrapment. Australia is in control in that sense. But it is in control in a way that is perceived as useful to the Americans. That is the important distinction.³³

2.33 Defence argue that sufficient steps are taken to ensure Australia continues to demonstrate its independence when they state:

One of the ways in which we demonstrate our independence is by maintaining the ability to conduct military operations independently of the US. The Regional Assistance Mission in the Solomon Islands (RAMSI) is a good example of this independence of action.³⁴

2.34 Finally Defence described interoperability and acquisition policies as demonstrating the balance between being dominated by the much larger US military and exercising independence. These issues will be explored more completely in later chapters but Defence would summarise their policy as balancing the need for interoperability with their responsibility to procure the best capability with the best possible value for money. The Tiger helicopter and the air to air refuelers are examples of very large defence procurement decisions that did not follow US decisions.

31 Prof William Tow, Australian National University, 9 September 2005, *Transcript*, p. 2

32 Prof William Tow, Australian National University, 9 September 2005, *Transcript*, p. 7

33 Prof William Tow, Australian National University, 9 September 2005, *Transcript*, p. 2-11

34 Mr Shane Carmody, Department of Defence, *Submission 20*, p. 2

- 2.35 The US perspective of the alliance is equally important to the understanding of its relevance and future direction. The Committee delegation to the US was briefed that while understandably much discussion of the relationship in Australia concentrates on its value to this country, the alliance is also regarded as very important to the US. Australia is regarded in Washington as a key US ally in East Asia, to the extent that our alliance is used to benchmark the US alliance with other allies such as Japan.
- 2.36 It was also made clear to the delegation however, that the relationship was not static. The alliance was described as having a hard or pragmatic edge, leading to the question "What will Australia offer next?" Naturally the US, like Australia, will seek to understand where the benefit is for them in each transaction between the two nations. However it appears clearly understood at the Executive Level of the Administration that Australia more than carries its weight in the Pacific, thus freeing American resources to be used in locations they are harder pressed.
- 2.37 The US Department of Defence staffs were particularly positive about the Defence relationship between Australia and the US. They described it as being based on shared values underpinned by a considerable history of common sacrifice. Australia was considered to be part of a very small group of countries with whom the US shares such a position. The officials also made it clear that the relationship with Australia was not taken for granted and the range and depth of the dialogue between the two countries is considered remarkable.
- 2.38 An example of the extent to which Australian opinion is trusted by the US Department of Defence is the degree to which Australian military officers are embedded in key US Defence Headquarters. The delegation was briefed on the types of sensitive tasks being undertaken by these officers and acknowledges the benefit to both organisations of this input.
- 2.39 The level of understanding about the ANZUS alliance on the other side of the Pacific however is not uniform. While Administration and Defence officials who work regularly with the ADF had clear and positive views of the importance of the alliance, the Committee was not reassured that this knowledge and support extends to the US Legislature.
- 2.40 Though it is difficult to draw conclusions about the US Congress as a whole from a brief series of delegation appointments in the US, it appears that members of Congress have a level of affection and trust for Australia. However, it is possible to extrapolate from meetings with Congressional leaders that the Defence relationship between the two countries is not uniformly well understood within the US Legislature. Further work at this level is necessary if Australia is to attempt to overcome legislative

restrictions to technology transfer, intelligence access and to remove legislative restrictions on US military interaction with Indonesia.

2.41 Australia's Department of Defence agrees. They state:

Australia enjoys excellent access to the US administration and the US is careful to seek our views on regional issues – not only out of politeness, but because they value our expertise. Given the importance of the US Congress in shaping US policy positions of the administration, we must maximise opportunities to put our views to the legislature. Visits to Australia by members of Congress, and by their staff, are such opportunities. We also maximise the opportunities presented by senior Defence visits to reinforce our position on regional relationships, sovereignty, interoperability and capability development.³⁵

Public knowledge of the value of the US alliance

2.42 While most groups in evidence to the inquiry noted the value and relevance of the US alliance, there was a view that more could be done to increase public knowledge of the value of the alliance. The RSL stated:

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.³⁶

The RSL proposed that the 'Australian Government should consider publishing a lucid, convincing and easily available booklet or pamphlet on Australian Defence policy.' The RSL further stated that this 'accessible document should clearly describe the importance and value of the Australian-US defence alliance, in order to assist the Australian people to understand the complex yet nationally important issues involved.'³⁷ Similarly, the ADA supported 'the need to better publicise to the

35 Department of Defence, Submission 20, p. 2.

36 Brigadier John Essex Clark (Retd), Returned and Services League of Australia Ltd, 26 March 2004, *Transcript*, p. 44.

37 Returned and Services League of Australia Ltd, *Submission 1*, p. 9.

Australian public the need for our alliance with the United States and the mutual benefits and advantages involved.’³⁸

2.43 Opinion polling on the value of the US alliance has demonstrated positive results. ASPI reported that in the last three Australian Election Surveys ‘support for the proposition that the ANZUS alliance is ‘fairly’ or ‘very’ important to protect Australia’s security has run close to 90%.’³⁹ ASPI, however, warned that while public support for the alliance is strong, public sentiment can change quickly as occurred in New Zealand during the 1980s and 1990s.

2.44 ASPI also suggested that where public opinion is based on sentiment rather than ‘extensive knowledge’, there remains a case to bolster public information. ASPI stated:

There is a strong case to argue that the Government and Parliament should do more to bolster an informed public understanding of the alliance. Over the long term a greater emphasis on learning about the US and on promoting more interaction between our peoples will help to sustain a national consensus in favour of the alliance.⁴⁰

2.45 ASPI, as part of its submission, examined the state of American studies in Australian universities and concluded that ‘the findings are disturbing because they show the very limited range of American studies available in Australian universities.’⁴¹ Of 42 tertiary institutions examined, only five offered undergraduate programs majoring in American studies. ASPI reported that the Australia and New Zealand American Studies Association maintains a register of Australian postgraduate students currently studying US related topics. At March 2004 there were only 31 students on the register. ASPI stated:

No one would argue with the need for Australians to study Asia. But given America’s global economic and strategic importance, the lack of opportunities for young people to study the US is a huge national deficiency. Our lack of detailed knowledge about the US suggests that Australia is missing opportunities to strengthen and extend our current relationship.⁴²

38 Australia Defence Association, *Submission 5*, p. 10.

39 Mr Peter Jennings, ASPI, *Submission 11*, p. 4.

40 Mr Peter Jennings, ASPI, *Submission 11*, p. 11.

41 Mr Peter Jennings, ASPI, *Submission 11*, p. 6.

42 Mr Peter Jennings, ASPI, *Submission 11*, p. 6.

The government could help to reverse this situation with a number of initiatives designed to increase Australian knowledge and understanding of America.⁴³

- 2.46 ASPI proposed the following measures to increase knowledge of Australia-US relations:
- funding a number of **Percy Spender Scholarships**;
 - supporting the development of a **Cooperative Research Centre on the United States**; and
 - the Government should consider providing funding for an **Australian-US Young Leaders Dialogue**.⁴⁴

New Zealand and the ANZUS alliance

- 2.47 New Zealand's role in the ANZUS alliance has been affected by its policy of restricting visits to its ports by nuclear powered ships, and ships carrying nuclear weapons. This policy has been in force since 1984 and has strained New Zealand's relationship with the US, in practical terms reducing the level of defence cooperation between the two countries. In relation to defence exercises, for example, Australia exercises with both countries separately but there are limited tri-nation activities.
- 2.48 During the Committee delegation to the US, discussion with US Department of Defence officials included the status of the third partner of the ANZUS Alliance. The US response was straight forward. They indicated that Australia and New Zealand are viewed quite separately by the US, not together as the formal ANZUS alliance suggests. The New Zealand contributions to operations in both Iraq and Afghanistan have been very well received by the US leadership but they report that tensions over New Zealand's restriction of access to nuclear powered US Navy ships must be resolved before the alliance could return to its original state.
- 2.49 While this is solely a matter for these two countries, the question needs to be raised regarding the impact this matter is having on the effectiveness of the ANZUS alliance and the ability of the countries to operate effectively together.
- 2.50 The Australian Department of Defence 'values highly New Zealand's involvement in regional operations, in which our interaction at a tactical level is coordinated and complimentary'⁴⁵. Despite limited interaction

43 Mr Peter Jennings, ASPI, *Submission 11*, p. 6.

44 Mr Peter Jennings, ASPI, *Submission 11*, p. 7.

45 Mr Shane Carmody, Department of Defence, *Submission 20*, p. 4.

with the US, Australian and New Zealand Defence force personnel operate together seamlessly in Timor Leste, Solomon Islands and numerous regional activities and training events. This ANZAC ability to operate together reflects shared values that pre-date either country's relationship with the US.

2.51 However, current New Zealand levels of Defence spending mean that the NZDF will continue to struggle to achieve interoperability with either Australia or the US. The RSL commented 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.'⁴⁶ Similarly, FDI commented that 'the New Zealand-US problems have placed an additional burden on Australia to work with New Zealand to keep reasonable levels of interoperability and to keep them operationally in the fold.'⁴⁷

2.52 Rather than seeing New Zealand's stance over nuclear ships and weapons as a negative, some evidence to the inquiry regards New Zealand's stance as a positive for the region and the alliance. The Medical Association for Prevention of War (Australia) state:

'The perception that New Zealand left the Treaty, simply because it exerted its independence in relation to the United States, has much to say about the subservient roles expected of two parties to the Treaty...Nevertheless, to 'welcome' New Zealand 'back' into the alliance, if that means to pay full respect to the security needs and independence of each of the three parties to the Treaty, would indeed be beneficial. In particular, New Zealand governments have been proactive on the need for nuclear weapons elimination, a goal which the Australian Government claims to share, and far greater cooperation to this end would be advantageous and in keeping with the spirit of the ANZUS Treaty.'⁴⁸

2.53 Which ever view is taken regarding the importance of New Zealand's role in the ANZUS, the desired end state appears to be the same. Evidence to the inquiry strongly supports the re-engagement of New Zealand in the ANZUS alliance.

46 Rear Admiral Ken Doolan, RSL, 26 March 2004, *Transcript*, p. 32.

47 Mr Lee Cordner, Future Directions International, 2 April 2004, *Transcript*, p. 2.

48 Dr Susan Wareham, Medical Association for Prevention of War, *Submission 22*, p. 4.

Conclusion

- 2.54 The invoking of the ANZUS Treaty in the immediate aftermath of the September 2001 attacks on the US has heightened awareness of the alliance between Australia and the US. The event sparked renewed interest in strategic discussion about the merits of the relationship, which is arguably closer now than at any time in its history. Debate about Australia's relationship with the US has coincided with growing unease in some parts of Australia and elsewhere in the world about unipolarity and the need for reform of multi-lateral institutions, most notably the United Nations.
- 2.55 The apprehension over America's status as the sole world 'super power' has become more heated since the 2003 invasion of Iraq. However despite divisions over Australia's role alongside the US as part of a small coalition of nations, public support for the alliance remains strong. The Australian public appear to understand that broad shared values underpin the relationship between the two countries that predate any of the recent coalition activities. While empirical evidence of the attitude of the American population toward Australia is not available, a body of anecdotal evidence suggests that the American public share a similar empathy with Australia. This level of US empathy is probably only shared with one other country, the United Kingdom.
- 2.56 The intensified debate over Australia's security partnership with the US has brought to the fore two fears that have been features of Australia's strategic policy debate since Federation. The debate 'generates fears of both abandonment and entrapment: abandonment because allies might not be there when needed; entrapment because the price of the alliance might be an abdication of the smaller partner's interests in favour of the larger partner's.'⁴⁹
- 2.57 Australian public support for the US alliance may well stem from the fear of abandonment. This was arguably the case in WWII after the fall of Singapore when the British priority of effort shifted from Asia Pacific to North Africa and Europe, leaving Australia feeling isolated. This fear arguably continued during the Cold War in the face of the threat from Communist expansion. Most recently this apprehension may be traceable to the rising fear of trans-national Jihad making progress in South East Asia. On the other hand some evidence to the inquiry from prominent groups in the community show a fear that the alliance appears to compel Australia to act in a particular fashion, such as join the coalition to invade Iraq, whether or not such an action is in Australia's best interest.
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49 ASPI, *Alliance Unleashed: Australia and the US in a new strategic age*, p. 6

- 2.58 The Committee has concluded that the risk of alliance entrapment, when in a relationship with the sole world super power, is real. After significant disagreement in the lead up to the 2003 war in Iraq, recent evidence to the inquiry suggests that Australia has evolved a more balanced position in relation to its relationship with the US and other regional powers in recent months. Australia is now taking a leading role in selecting niche contributions that are in Australia's immediate interest.
- 2.59 The inquiry has also discussed the current status of New Zealand in the ANZUS Alliance. Tensions remain over the New Zealand ban on US nuclear ship visits, limiting contact and exchange of information between the US and New Zealand. New Zealand continues to make meaningful military contributions to the reconstruction of Iraq and Afghanistan however, despite these contributions New Zealand's access to technology and intelligence from the US is reduced. Australia continues to value New Zealand as a partner in important regional activities such as Timor Leste and Solomon Islands.
- 2.60 In summary the Committee agrees that the ANZUS Alliance remains a key pillar of Australia's national security policy. Evidence to the inquiry is not in favour of amending the wording of the alliance to make it more contemporary however the Committee is aware that the alliance is being challenged by a transformational international security situation. Modern alliances must be able to operate in a world with globalised media, satellite communications, international travel and commerce, and the internet which threat forces may use to coordinate diffuse movements.
- 2.61 The future of the ANZUS Alliance therefore is as a framework under which modernisation and policy adjustments can occur between Australia and the US (and preferably New Zealand) in the face of a rapidly evolving strategic reality. Arguably the text of the treaty, attached as Appendix 2 to this report, becomes less important as years pass. Instead the treaty will continue as a formal declaration of trust between countries that share values and ideals.

Recommendation 1

The Committee recommends that the ANZUS Alliance be maintained in its current form and that the treaty be viewed not just as a specific set of requirements, rather as a statement of shared values capable of being acted upon in the face of evolving contemporary threats.

Australian force structure, interoperability and intelligence

Introduction

- 3.1 The Australian Defence Force (ADF) remains primarily structured for operations in defence of Australia¹, yet it is increasingly involved in coalition operations with US forces, supporting Australia's wider interests and objectives beyond our immediate neighbourhood. An ongoing challenge for the ADF is to determine the most effective way it can contribute both to potential operations in Defence of Australia, and the increasingly more demanding operations beyond our immediate neighbourhood.
- 3.2 The moderate levels of conventional threat in Australia's immediate region, linked with the low likelihood of a conventional attack on Australia, compared to the high threats faced by the ADF when deployed to locations like Iraq and Afghanistan raises questions about the suitability of Australia's force structure. Evidence to the inquiry is divided over whether adjustments to force structure, as a result of coalition operations a long way from Australia, are justified.
- 3.3 A number of force structure determinants are emerging from Australia's recent involvement in coalition operations. The key determinant for conducting coalition operations remains, however, the ability to be interoperable with our allies in a range of key areas. The importance of interoperability to ADF operations will be examined and the key issues raised in evidence will be discussed.

1 Australian Government, *Defence 2000 – Our Future Defence Force*, p. XI.

- 3.4 The final section of the chapter examines the significance of intelligence sharing between Australia and the US. The discussion will explore the key benefits and disadvantages of our intelligence sharing arrangements.

The new security environment?

- 3.5 The terrorist attacks of 9-11 together with the rise of non-state adversaries are causing nations to evaluate and reconsider their national defence strategies and priorities. Defence and intelligence forces, in addition to meeting conventional threats, must also be able to react to and defeat asymmetric threats which are a feature of the modern strategic environment.
- 3.6 The key influence on contemporary conflict is globalisation. 'Globalisation, during the last decades of the 20th century, has created winners and losers.'² The global economy has been seen by people still facing poverty, disease and inequality as favouring the west. 'This has created a class of actors - often non state actors - who oppose globalisation, its beneficiaries (the developed nations of the West) and, particularly the US.'³ Unfortunately concurrent with creating enemies of the West, globalisation has provided these new enemies of the West with unprecedented tools to further their cause. Globalised media, communications, travel and commerce and the internet facilitate the coordination between groups that oppose the Western lifestyle.
- 3.7 In evidence to the inquiry the US Ambassador to Australia emphasised the threat posed by global terrorism and the need to reconsider our approaches to security. The US Ambassador stated:

Terrorism is the bane of our time. It can strike at home or abroad. Whether it is at a centre of finance, like the World Trade Centre, or a centre of recreation, like Bali, the lives of our citizens can be snuffed out in a moment of irrationality. Terrorism will be at the centre of our alliance for many years to come. The focus of our efforts cannot be limited to the region of our neighbourhoods. The terrorists of our day are transnational: they plan their attacks in one country, prepare for their execution in another and carry them out wherever the innocent may gather. The threat of terrorism means that we will have to look at our security in different ways than we have in the past. We must quarantine the terrorists from weapons of mass destruction and we must quarantine those who

2 Australian Army, *Complex Warfighting*, p. 2.

3 Australian Army, *Complex Warfighting*, p. 2.

would provide them such weapons from the rest of the world. The safety of all of us depends upon the safety of each of us.⁴

- 3.8 Other evidence to the inquiry pointed to the need for Australia's defence doctrine to be more responsive to the new security environment. Dr Rod Lyon stated:

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.⁵

- 3.9 Some groups, however, supported the continuation of the defence doctrine being based around conventional threats. Dr Carlo Kopp stated:

Long-term force-structuring priorities should not be driven by near-term needs in the war on terror. Both Australia and the United States must maintain and increase investment levels in top-tier military capabilities, especially long-range air power, in order to balance the long-term regional effect of growth in Chinese and Indian strategic military capabilities. Both Australia and the United States must have realistic expectations of what the alliance can provide in deliverable military capabilities.⁶

- 3.10 At the 2005 Australia-US Ministerial Consultations (AUSMIN) the joint communiqué recognised the changing nature of the threat to Australian and US interests. The communiqué states:

Australia and the United States agreed on a number of new steps to maintain the vitality of their alliance. They recognised the growing importance of confronting contemporary security challenges, including the proliferation of weapons of mass destruction, global terrorism and pandemic disease.⁷

- 3.11 The ADF appears to have achieved a reasonable balance between the competing demands of conventional and asymmetric threats. The creation since 2002 of Special Operations Command, the establishment within the command of an additional Tactical Assault Group and consequence management capability, are evidence of appropriate responses to the new

4 HE Mr Tom Schieffer, US Ambassador to Australia, 21 June 2004, *Transcript*, p. 3.

5 Dr Rod Lyon, University of Queensland, 7 April 2004, *Transcript*, p. 14.

6 Dr Carlo Kopp, Defence Analyst and Consulting Engineer, 2 April 2004, *Transcript*, p. 38.

7 Department of Foreign Affairs and Trade, *2005 Australia-United States Ministerial Consultations Communiqué*, http://www.dfat.gov.au/geo/us/ausmin/ausmin05_joint_communique.html, accessed 21 Nov 05.

threat from terrorism. The participation by the Navy in Proliferation Security Exercises both in Australia's immediate region and further afield similarly indicates the ability of the ADF to contribute to the reduction of the most modern threats to Australia's security. The new security environment presents additional challenges for both the US and Australia in how they operate together and are best able to respond to global terrorist threats. The following sections will examine these issues in more detail.

Australian defence doctrine

3.12 Australia's defence doctrine is articulated in the 2000 Defence White Paper, *Defence 2000, Our Future Defence Force*, and through the Defence update, *Australia's National Security, A Defence Update 2003*. The 2000 White Paper sets out Australia's key strategic interests and objectives in order of importance. These strategic objectives, shown below, aim to:

- ensure the Defence of Australia and its direct approaches;
- foster the security of our immediate neighbourhood;
- work with others to promote stability and cooperation in Southeast Asia;
- contribute in appropriate ways to maintaining strategic stability in the wider Asia Pacific region; and
- support global security.⁸

3.13 This defence doctrine in turn leads to the development of a force structure. The Committee, as part of its inquiry into Australia's maritime strategy, examined Australia's strategic objectives and their impact on force structure. The Committee concluded that Australia's defence objectives and strategy must reflect the need to defend Australia and its direct approaches together with a greater focus on, and acquisition of, capabilities to operate in the region and globally in defence of our non-territorial interests.⁹

Australian force structure

3.14 As part of the inquiry into Australia's defence relations with the US, evidence was received about the adequacy of Australia's force structure to operate effectively in coalitions with the US. Some groups asserted that

8 *Defence 2000, Our Future Defence Force*, 2000, p. X.

9 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Australia's Maritime Strategy*, June 2004, p. xvi.

Australia's current force structure, still largely based on structures developed during the Cold War, is suitable for coalition operations. Mr Hugh White, for example, stated 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.'¹⁰

3.15 Other groups disagree, believing instead that national security, like almost all of national life, has become globalised. The successes of irregular threat forces in places such as Somalia, Afghanistan and Iraq are informing future threat forces both globally and in our region. The success of these groups has been in removing western forces from the advantage of their stand-off technology and firepower. For example, in Somalia local warlords drew poorly protected light infantry forces, reliant on air power for support, into a chaotic and lethal environment. The resulting casualty levels proved to be too high to be sustained by western democracies.

3.16 Mr White asserts that Australia's defence capabilities, developed as a result of the Defence of Australia Strategy, provide sufficient options for Government to make an effective contribution for coalition operations. Mr White stated:

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.¹¹

3.17 Mr White noted that the ADF's force structure comprised two key groups of capabilities. The first comprises capabilities such as F/A-18s and F-111s designed to defeat an enemy in Australia's maritime approaches. In addition, there are submarines, a surface fleet and P3 Orions. Mr White commented that 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.'¹² The second part of Australia's

10 Mr Hugh White, Director, ASPI, 26 March 2004, *Transcript*, p. 47.

11 Mr Hugh White, Director, ASPI, 26 March 2004, *Transcript*, p. 54.

12 Mr Hugh White, Director, ASPI, 26 March 2004, *Transcript*, p. 47.

force structure comprises 'mostly light land forces and special forces.'¹³ Mr White noted that 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.'¹⁴

- 3.18 Mr White chose the purchase of the Abrams tanks as an example of a decision by Defence that gave an indication of where current policy diverged from his own view. He is opposed to the need to provide armoured protection for Australian soldiers. Mr White stated:

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.¹⁵

- 3.19 Other groups however, did support the need to be able to contribute more than just air and maritime forces to coalition operations. Dr Robyn Lim commented that 'for us and other US allies, the benefits of alliance come with costs and risks attached.'¹⁶ She summarised the view held by a number of submissions when she stated:

And the practical manifestation of what lubricates alliances, especially in the more difficult kinds of crises, is "boots on the ground". We need to be able to contribute capable ground forces and hence risk casualties - not just send frigates, aircraft and logistics/humanitarian force elements.¹⁷

- 3.20 It is this understanding of the need to share the risks associated with ground operations that best sums up the need for new tanks. The ADA commented that 'we are buying this tank to protect the infantry and reduce casualties.'¹⁸ Dr Lyon agreed, commenting that the types of deployments the ADF will most likely be involved in are political stabilisation which is predominantly land based. Dr Lyon stated:

13 Mr Hugh White, Director, ASPI, 26 March 2004, *Transcript*, p. 47.

14 Mr Hugh White, Director, ASPI, 26 March 2004, *Transcript*, p. 47.

15 Mr Hugh White, Director, ASPI, 26 March 2004, *Transcript*, p. 55.

16 Dr Robyn Lim, Nanzan University, *Submission 13*, p. 5.

17 Dr Robyn Lim, Nanzan University, *Submission 13*, p. 5.

18 Mr Neil James, Executive Director, Australia Defence Association, 2 April 2004, *Transcript*, p. 17.

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.¹⁹

3.21 Dr Lyon commented that the current ADF is still fundamentally 'sized and built for an environment that dates from the Cold War.'²⁰ He concluded that Australia needs to review its force structure which means 'a revisiting of the defence white paper of 2000.'²¹

3.22 There is therefore disagreement in the evidence about the extent to which the new security environment should influence defence doctrine and ultimately force structure. The position put by Mr Hugh White in his evidence draws heavily on the Maritime Defence doctrine and argues a 'steady as she goes' approach. Mr White is supported by other groups. The Women's International League for Peace and Freedom state:

The choice of Abrams tanks with their consequent use in Iraq and further purchase of US defence equipment need to be re-examined in the light of increasing alliance entrapment...Decisions on suitable equipment can be made that limit Australia's engagement to legitimate defence.²²

3.23 The ADF on the other hand argues that complex warfighting alongside the US is increasingly likely and has established a priority list of interoperability upgrades. These will be discussed later in the Chapter.

3.24 The Committee, as part of its report on *Australia's Maritime Strategy*, examined the defence of Australia doctrine. Through that report the Committee made a series of conclusions culminating in the need for a new Defence White Paper. In particular, the Committee concluded that in developing a new White Paper, the Government should take into account the conclusions made by the Committee including:

- Australia's strategic objectives be the defence of Australia and its direct approaches together with greater focus on, and acquisition of, capabilities to operate in the region and globally in defence of our non-territorial interests;
- clear articulation of why Australia's security is interrelated with regional and global security;

19 Dr Rod Lyon, University of Queensland, 7 April 2004, *Transcript*, p. 20.

20 Dr Rod Lyon, University of Queensland, 7 April 2004, *Transcript*, p. 14.

21 Dr Rod Lyon, University of Queensland, 7 April 2004, *Transcript*, p. 14.

22 Ms Ruth Russell, Women's International League for Peace and Freedom, *Submission 21*, p. 5

- the continuation of the commitment to 'self-reliance' in those situations where Australia has least discretion to act;
 - focusing on measures that will enhance interoperability with Australia's allies such as the US; and
 - developing and implementing a maritime strategy which includes the elements of sea denial, sea control and power projection ashore.²³
- 3.25 In relation to the purchase of new main battle tanks (MBTs), the Committee previously concluded that the MBTs 'will provide a positive addition to the Army and the ADF's broader objectives.'²⁴

Interoperability

Definition and key features

- 3.26 Interoperability refers to the ability of different forces to operate safely and effectively together in joint or combined operations. It can be challenging for the forces of different nations to achieve desired levels of interoperability. Interoperability is not only a potential obstacle between the forces of different nations but can also be problematic for the individual services of the same nation operating together.
- 3.27 Interoperability can exist at different levels. This can start with the ability to communicate effectively through to seamless operation of complex platforms in a network centric environment. However interoperability is not solely based on operating the same equipment. The RSL stated:
- ...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.²⁵
- 3.28 The key elements of interoperability are summarised as follows:
- communications;
 - doctrine;
 - equipment;
-

23 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Australia's Maritime Strategy*, June 2004, p. 71.

24 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Review of the Defence Annual Report 2002-03*, August 2004, p. 41.

25 Air Vice Marshal Alan Titheridge, Returned and Services League of Australia Ltd, 26 March 2004, *Transcript*, p. 33.

- logistics; and
- planning.

Objectives, advantages and other issues

3.29 For defence forces operating in coalition operations there are clear advantages to having effective interoperability. Defence stated:

Interoperability with US forces and the ability to contribute to multinational coalitions are central themes in Australia's policies, acquisition programs and training plans. Australia's effective, high-end contributions to US-led coalition operations in Afghanistan and Iraq demonstrate the high degree of interoperability and the shared values that characterise the Australia-US relationship.²⁶

3.30 The RSL noted that there could be certain inefficiencies created when interoperability was ineffective. In particular, the RSL advised that the danger of fratricide increased when forces operating in coalition had poor interoperability. The RSL commented that 'if you do not have interoperability, you are leaving yourself wide open for fratricide – being hit by friendly fire.'²⁷

3.31 The RSL also noted the significance of the application of the laws of war and the rules of engagement applied by Australian forces and coalition forces. In particular, the RSL noted that Australia is a signatory to the jurisdiction of the International Criminal Law and the 'Rome Statutes' whereas the US is not. In an operational context, the RSL noted that Australia can refuse operational requests from the US and may 'red card' an 'apparently non-lawful operational request.'^{28/29}

3.32 Professor Paul Dibb discussed the importance of interoperability and described a hierarchy which we should comply with. First is the need for effective interoperability between our own forces. The second is interoperability with US forces and the third is interoperability with other coalition forces. Professor Dibb, however, was critical that Australia was focusing too much on the second priority at the expense of our first priority. Professor Dibb stated:

26 Department of Defence, *Submission 6*, p. 7.

27 Brigadier John Essex Clark (Retd), Returned and Services League of Australia Ltd, 26 March 2004, *Transcript*, p. 34.

28 Brigadier John Essex Clark (Retd), Returned and Services League of Australia Ltd, 26 March 2004, *Transcript*, p. 34.

29 The training aspects of this important component of interoperability are discussed further in Chapter 4.

My issue is whether we are drifting away from those priorities. For instance, is there now a certain amount of recidivism amongst the three single service chiefs who are going back to their territorial separateness? My answer is yes. Did we see in the Iraq war our Army operating separately from Navy and Air Force and largely subordinate to American operations? The answer is yes. Did we see our Air Force operating largely separately from our own Navy and Army and operating with the Americans? The answer is yes. I think it is for the first time since the Vietnam War that we are starting to move away from jointness as our first priority and towards interoperability with the United States as our first priority.³⁰

- 3.33 However, while acknowledging the importance of interoperability with the US, Defence is undertaking a series of Joint ADF communications projects, including significant investment in combat identification. Defence would counter Professor Dibb's comments by citing the successful Australian F/A-18 close air support to the Special Air Service (SAS) forces in western Iraq, the intimate cooperation between the Australian P3C maritime patrol aircraft and the Australian Navy ships in the northern Arabian Gulf and C130 and helicopter support to all force elements. Significantly these same force elements have achieved high levels of interoperability with their coalition partners, perhaps best evidenced by the Naval Gunfire Support provided to US and UK Marine forces during the early stages of the conflict.
- 3.34 Interoperability between US and Australian forces is given significant attention by both countries. As part of an Australia-US Ministerial Meeting in October 2002, the participants agreed to a strategic level review of Australia-US interoperability. A number of areas for improvement were identified including 'information exchange; harmonisation of some capability development; and cooperative science and technology experimentation.'³¹ In addition, Defence reported that it will be establishing an Office of Interoperability which will be part of the new Defence Capability Group.

Selecting defence equipment

- 3.35 The objective of achieving high levels of interoperability has led to claims that there is an over emphasis on acquiring US defence equipment.
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30 Professor Paul Dibb, Australian National University, 26 March 2004, *Transcript*, p. 63.

31 Department of Defence, *Submission 6*, p. 8.

A further concern arising from this is that Australia may not be acquiring the most effective defence equipment to support our capability needs. The RSL explained that there was not the need for equipment to be identical for interoperability purposes. The RSL commented that ‘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.’³²

3.36 Dr Lyon, however, suggested that for Australia to be interoperable with the US, Australia will increasingly need to purchase US defence equipment.³³

3.37 Defence appears to be taking a balanced position between these views by cooperating with potential coalition partners through standardisation agreements. Standardisation agreements between the four traditional anglo-allies, (America, Britain, Canada and Australia) are designed to ensure that when an ally procures an alternate platform or system, it can be made to operate alongside similar systems chosen by alliance partners. Standardisation includes ammunition technical specifications, frequency and Information Technology protocols and fuel types. While in cases such as the selection of the Abrams tank or C130J, full interoperability is achieved, in others, such as the selection of the Tiger Helicopter, adjustments will be made to the configuration to ensure it can achieve interoperability. The inclusion of the US Hellfire missile on the Tiger is an obvious example.

3.38 The ADA argued that interoperability should not drive the procurement of defence equipment. In particular, the ADA noted that doctrine was far more important than the equipment. The ADA addressed the claim that there was an over emphasis by Defence to purchase US equipment:

I do not know whether that is true or not; you would have to ask the current government. Our position would be that you can achieve interoperability with dissimilar equipment at times, and we should not necessarily always buy American just for purported interoperability purposes. A good example is the attack helicopters. Quite frankly, the European helicopter was the best helicopter. That is why it was eventually chosen—because it came out on top. We applaud that decision and we are watching with

32 Brigadier John Essex Clark (Retd), Returned and Services League of Australia Ltd, 26 March 2004, *Transcript*, p. 41.

33 Dr Rod Lyon, University of Queensland, 7 April 2004, *Transcript*, p. 21.

interest other similar procurement decisions that are being taken at the moment.³⁴

Conclusions

- 3.39 Australia's Defence force structure flows directly from Government defence policy. The Committee considered this issue in depth during its recent inquiry into Australia's Maritime Defence Strategy. Evidence to this inquiry shows the ongoing divergence in the strategy debate.
- 3.40 The Committee reaffirms its finding that a greater focus is needed on, and acquisition of, capabilities to operate in the region and globally. Whether operating with the US in coalition or independently in our region, human conflict is increasingly complex and increasingly lethal. The US has achieved an unprecedented level of dominance in conventional military power. This US dominance has led to 'asymmetric' or avoidance behaviour by its opponents which have in turn had an impact on the structure of western forces allied with the US. Forces opposed to the US and the west are happy to fight protracted and exhausting confrontations involving terrorism and insurgency from amongst the population, inside towns and cities. This approach makes the application of stand-off firepower technology difficult to justify as each application risks large numbers of civilian lives. Each clash with threat forces has become unpredictable and lethal.
- 3.41 Countries allied with the US must be structured to operate in this environment. ADF operations by all three services in the current phase of operations in Iraq suggest that the ADF is making the necessary adjustments. RAN protection operations in the northern Arabian Gulf involve tracking hundreds of local watercraft each day and conducting numerous compliant and non-compliant boardings to determine the motivation of suspect vessels. Australian ships face the threat of suicide vessels capable of killing members of boarding parties or in the worst case capable of damage similar to that experienced by the USS Cole when it was attacked in Yemen.
- 3.42 The RAAF is no longer conducting bombing operations. Instead it has switched to surveillance operations over both water and land using the recently upgraded P3C Orion aircraft. Australian P3C operations, over land in particular, have been of significant importance to the US led coalition as the combination of world class technology and highly skilled crews has enabled superior situational awareness of events to be passed to ground commanders.

34 Mr Neil James, Australia Defence Association, 2 April 2004, *Transcript*, p. 15.

- 3.43 Finally the Al Muthanna Task Group is evidence of the Army structures being developed to cope with the complex environment. The combination of armoured ASLAV and Bushmaster vehicles with skilful mechanised infantry soldiers is a precursor to the Hardened and Networked Army being developed in response to the modern threat of asymmetric attack.

Recommendation 2

The Committee acknowledges that the free passage of information on the internet is likely to ensure that threat techniques faced by western forces in Iraq and Afghanistan are transmitted to disaffected groups in our region, meaning future regional conflicts may become increasingly violent and lethal. The Committee recommends that force structure decisions must therefore be based on the provision of the best possible protection for Australian Defence personnel.

Intelligence

- 3.44 Australia collects and analyses intelligence material through a range of sources, comprising the Australian Intelligence Community (AIC). This intelligence is shared on a needs basis with the US and other allies. At the same time, the US shares intelligence with Australia. Defence described the intelligence relationship as balanced and successful when they state:

Intelligence sharing arrangements between the US and Australia are serving Australia's security needs well. Our intelligence sharing relationship is cost-effective and efficient and enhances Australia's access to intelligence on critical areas of interest. In turn, Australia provides the US with high-quality intelligence on a region of significant strategic importance.³⁵

- 3.45 This feature of the alliance is the least stated but possibly one of the most significant aspects of Australia's defence relations with the US. ASPI stated:

Without the alliance, Australia would be substantially blind in many critical areas of intelligence gathering and assessment. We cannot afford the investment levels necessary to duplicate America's intelligence gathering capability.³⁶

35 Department of Defence, *Submission No. 20*, p. 8.

36 Mr Peter Jennings, Australian Strategic Policy Institute, *Submission 11*, p. 9.

3.46 Defence explained that the importance of the intelligence sharing arrangements is not limited to what Australia draws from the intelligence networks, rather it is an important area in which Australia is seen to contribute significant expertise and independent analysis:

Assessment of whether intelligence sharing arrangements are adequately serving Australia's security needs should not be viewed solely through the prism of what the US provides to Australia. Australia's security needs are also served by the breadth of our contribution to the alliance. The intelligence which Australia provides to the US is an important aspect of this mutual relationship. Through our established burden-sharing arrangements, the Australian intelligence community contributes unique support to the US. This has included extensive intelligence support to the Global War on Terror. Through such contributions, we ensure the US continues to view Australia as a trusted and valuable intelligence partner.³⁷

3.47 The intelligence sharing arrangements allow both Australia and the US to focus on specific areas of interest. This creates efficiencies and reduces the likelihood of duplication. In relation to this matter, the RSL stated:

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.³⁸

3.48 A concern was raised that Australian intelligence agencies 'have failed to appreciate the shift in US strategic priorities after September 11.'³⁹ Dr Carl Ungerer stated:

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

37 Department of Defence, *Submission 20*, p. 8.

38 Brigadier John Essex Clark (Retd), Returned and Services League of Australia Ltd, 26 March 2004, *Transcript*, p. 29.

39 Dr Carl Ungerer, University of Queensland, 2 April 2004, *Transcript*, p. 3.

prior to the atrocity in Bali, Australia's intelligence efforts have been directed more towards people-smuggling issues and transnational crime.⁴⁰

3.49 It was not possible to corroborate the previous claim but ASPI attempted to counter the view that Australia was not fulfilling its burden sharing responsibilities. ASPI stated:

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.⁴¹

3.50 The RSL drew attention to some disadvantages of the intelligence relationship between Australia and the US. The RSL stated:

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.⁴²

3.51 Similar points were made in a number of submissions. ASPI summarised these submissions in relation to the intelligence used to justify involvement in the Iraq war. ASPI commented that 'after Iraq we need to ask if Australia was too dependent on US-sourced intelligence.'⁴³ Notwithstanding this point, ASPI concluded that 'Australia would have been in a far worse situation if it were required to make assessments about Iraq without access to US intelligence.'⁴⁴

3.52 In the final submission from Defence to the inquiry the Department addressed the issue of independence of intelligence assessments by quoting the Flood report. Defence stated:

Australian intelligence agencies produce independent analysis and assessment. The issue of independence of intelligence assessment was a key focus of Mr Flood's report in 2004, which made quite

40 Dr Carl Ungerer, University of Queensland, 2 April 2004, *Transcript*, p. 3.

41 Mr Hugh White, Director, Australian Strategic Policy Institute, 26 March 2004, *Transcript*, p. 53.

42 Brigadier John Essex Clark (Retd), Returned and Services League of Australia Ltd, 26 March 2004, *Transcript*, p. 30.

43 Mr Peter Jennings, ASPI, *Submission 11*, p. 9.

44 Mr Peter Jennings, ASPI, *Submission 11*, p. 9.

clear statements in this regard. In particular, in relation to the Iraq assessments, Mr Flood concluded:

On the critical issue of independence, the Inquiry's investigations showed that, despite a heavy reliance on foreign-sourced intelligence collection, both agencies [DIO and ONA] had formulated assessments independent of those of the US and UK, in several notable cases choosing not to endorse allied judgments. The Inquiry found no evidence to suggest policy or political influence on assessments on Iraq WMD.

This finding is reflected across all aspects of the work of the Defence intelligence agencies. Clearly there is a reliance on the US for source material, particularly for those areas beyond our region, and this will continue. But this reliance does not equate with unquestioning acceptance of all US assessments.⁴⁵

- 3.53 Some groups raised concerns about the US-Australian defence facility at Pine Gap. MAPW Australia suggested that Australia should review the lease of Pine Gap, and 'those functions associated with nuclear war fighting should be abandoned.'⁴⁶ Similarly, WILPF supported the need for a review of Pine Gap, and proposed that an Ethical Advisory Committee be set up in order to monitor intelligence operations at Pine Gap.'⁴⁷

Conclusion

- 3.54 In the face of increasingly complex and asymmetric threats, Australia's intelligence sharing arrangements with the US are one of the most vital parts of the alliance. It is also one of the aspects of the alliance to which Australia can make a significant contribution through its understanding of the Pacific and South East Asian region. The Committee's objective in relation to this aspect of the inquiry has been to ensure that the intelligence sharing arrangements are operating as effectively as possible. In addition, it is essential that the Australian Intelligence Community can demonstrate that it can exercise sufficient independence in the analysis of intelligence.
- 3.55 To the extent that it is possible for an unclassified inquiry to comment on intelligence material, evidence to the inquiry suggests that Australia does conduct independent national analysis of the US product. However Australia's heavy reliance on US material makes this a time and resource intensive process. Despite the cost, the Committee assess this independent analysis as the critical step in the national intelligence process and it must

45 Department of Defence, *Submission 20*, p. 8

46 Medical Association for Prevention of War, Australia, *Submission 16*, p. 2.

47 Women's International League for Peace and Freedom, *Submission 17*, p. 6.

continue. Where Australian security classification allows, Australian analysis should be provided in return to the US to assist the US agencies overcome institutional 'group think'.

- 3.56 Because of the intelligence failings over the issue of Weapons of Mass Destruction (WMD) in Iraq there is significant suspicion of the intelligence agencies in the evidence to the inquiry. This will be difficult to counter without disclosing the agency successes. This type of disclosure is rarely possible without endangering the source of intelligence.
- 3.57 The failure of the US intelligence agencies over WMD in Iraq also appears to have exposed an over-reliance in the US on surveillance technology. Imagery from satellites and spy planes can achieve a great deal when tracking the movement of troops in the deserts of Iraq but it is not as well suited to analysing the design characteristics of a facility or the motivation of the people working inside. Australia must learn from this aspect of the alliance by investing in our own human intelligence capability as well as continuing independent review of US technical products.

Recommendation 3

The Committee supports the continuing enhancement of cooperation between Australian and US intelligence agencies; however, sufficient investment must be made in Australian analytical capabilities to ensure Australian analysis of US raw intelligence material is always undertaken.

Combined defence exercises

Introduction

- 4.1 Coalition operations are likely to be the norm for like minded western forces for the foreseeable future. Few nations will have the complete range of military capabilities required to take unilateral military action but more importantly, few nations are likely to risk the strategic isolation that might result from such an act.
- 4.2 Building and maintaining a coalition is a demanding task. Australia experienced the demands of coalition leadership during the East Timor intervention in 1999. More often however Australia is likely to contribute forces to a coalition led by an ally. Given the global role and reach of the US, the US military is likely to be the lead organisation in such a coalition, whether building a group of like minded nations as occurred in Iraq in 2003 or acting on behalf of the UN Security Council as had previously occurred in the Balkans.
- 4.3 Ad hoc coalitions are fragile and demand constant attention if they are to survive. Coalitions based on extant alliances have the durability to nurture a range of capabilities that can be developed over time, for example 'through sustained cooperation on military exercises and training, the networking of information flows and of forces, and shared experience in joint operations.'¹
- 4.4 Interoperability with US forces and the ability to contribute to multinational coalitions are central themes in Australia's policies,

1 ASPI, *Alliance Unleashed: Australia and the US in a new strategic age*, p. 3.

acquisition programs and training plans.² The policy and acquisition components of interoperability are addressed in chapter 3. This chapter will explore the types of shared training experiences with the US military that are necessary to achieve the high standards of interoperability achieved in recent years in Afghanistan and Iraq, but also evident through the extensive security cooperation over five decades.

The nature of Australia - US defence exercises

4.5 Defence traditionally organises itself for command in three organisational levels – the strategic, the operational and the tactical. These levels are not universally applied, for example a four man Special Forces patrol would normally be regarded as a tactical formation but their actions may have strategic consequences. However the three levels are sufficiently well understood to provide a useful framework against which to discuss military interoperability.

4.6 The Australia Defence Association (ADA) describes the importance of exercising at all three levels:

Given that the United States is our major ally and that we operate with them quite closely within Australia, the region and even further afield, we have to exercise at every level. The current suite of exercises between the two countries is extensive and time-tested...The command post exercises and the strategic level map exercises are important because they set the broad criteria of what each country can and cannot bring to the table. The operational level exercises, particularly those involving deployment, are important because you basically need to test what you promised to bring to the table. The lower level tactical level exercises at unit and subunit level are important because people need to get to know each other and the operational culture.³

4.7 In order to explain this element of the Australia-US Defence relationship, the following definitions should be noted:

- training – preparation of skills for individuals or teams that will allow them to respond to an expected range of circumstances (many ADF pilots for example are trained in the US);
- exercises – part of the training continuum, usually toward the end of a training cycle and used to validate higher order skills for collective

2 Department of Defence, *Submission 6*, p. 7.

3 Australia Defence Association, *Submission 5*, p. 23.

groupings (would usually start at sub unit level and may conclude with complicated groupings across services and countries);

- joint – exercises or operations involving more than one service (an amphibious exercise would involve at least Army and Navy elements); and
- combined – exercises or operations involving more than one country (an exercise might be combined and joint if the US Navy was supporting an amphibious exercise in Australia).

4.8 Major exercises such as the well known Kangaroo or Crocodile series of exercises aim to provide training benefit for all three levels of command and are both joint and combined. They may contain the following elements:

- high level staff discussions. Officials such as the Commander US 7th Fleet may meet with Australia's Deputy Commander Joint Operations Command in Australia. They will discuss each other's capabilities, and in particular what forces may be available in each country to support particular military response tasks. Discussions at this level will then drive exercise planning and objectives at the remaining levels.
- operational level planning may be conducted using a Command Post Exercise or Map Exercise. This level of exercise play is increasingly enabled by sophisticated computer based simulations. Commonality of 'architecture' for such simulations will allow future interactions to occur without forces leaving their home bases, even if these are on different continents. Where 'real' exercise play is involved it is often the large scale deployment, operational manoeuvre and logistic support that create the most significant training advantage at this level of command. In discussion of the importance of this level of interaction with US forces, Defence stated:

Exercise participation helps establish the fundamentals of interoperability such as the connectivity of our communication and data systems, and an appreciation of our approach to issues such as rules of engagement (ROE). Importantly, our performance in major joint exercises builds confidence within the US that we are a capable coalition partner. A further benefit is the opportunity afforded by these exercises for ADF officers to fill important command positions within a large joint [and combined] force conducting complex operations.⁴

4 Department of Defence, *Submission 6*, p. 8.

- tactical level exercise activity is where 'the rubber meets the road'. Commonality of equipment or platforms is important but the ADA believes common doctrine, or 'good understanding of each other's underlying operational culture',⁵ is more important. The interaction of individuals and teams at the level where combat occurs is where the greatest understanding is achieved.

Value

- 4.9 Evidence to the inquiry overwhelmingly supports the value of combined exercises with the US. Whether these are combined single service exercises such as Rim of the Pacific 2000 (RIMPAC), Red Flag or Pitch Black or combined joint exercise such as Tandem Thrust or Crocodile, numerous benefits were reported. The RSL stated:

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.⁶

- 4.10 Similarly, the ADA commented that 'a defence force fights as it trains.'⁷ Benchmarking with organisational peers is an important component of the maintenance of standards and '[c]ombined exercises with allies and potential coalition partners are essential to maintaining ADF efficiency at world class standards.'⁸ The ADA concluded that such exercises 'increase the chances of operational success and reduce the likelihood of casualties.'⁹

- 4.11 Significant advantages are also reported from the US perspective. Future Directions International stated:

The seamless integration of ADF units into US led operations in the Middle East and elsewhere, and the US integration into Australia-led operations like East Timor, is a direct result of many years of combined training.

5 Australia Defence Association, *Submission 5*, p. 5.

6 Returned and Services League of Australia Ltd, *Submission 1*, p. 6.

7 Australia Defence Association, *Submission 5*, p. 8.

8 Australia Defence Association, *Submission 5*, p. 8.

9 Australia Defence Association, *Submission 5*, p. 8.

Similarly, many US commanders have experienced the ADF first hand during combined training exercises and are therefore confident in Australian operational competence.¹⁰

- 4.12 The Committee received further insight into the US perspective on the value of combined training and the potential of the JCTC when its delegation visited HQ Pacific Command (PACOMD) in Hawaii. Admirals Roughead and Tracey, two of the most senior US military personnel in the Pacific, both spoke in glowing terms of the standards and performance of ADF, both during training exercises such as Exercise Talisman Sabre, and during operational activities such as the Tsunami Relief in December 04 / January 05. They described the very high levels of procedural interoperability achieved between the two defence forces in the Pacific Theatre, based on shared military and social cultures.
- 4.13 Admiral Roughead made particular mention of the shared leadership and decision making between US PACOMD and the ADF at the height of the Tsunami crisis. The mature relationships between the two organisations, developed over many years on exercises, allowed the most effective distribution of aid to the region without overlap and waste, and with unprecedented speed. Admiral Roughead suggested Australia was the only alliance partner in the Pacific Theatre capable of achieving this immediate level of understanding and cooperation.
- 4.14 Admiral Tracey also described the importance to the US of exercises such as Talisman Sabre, now regarded as the major exercise in Pacific Command for enhancing the core skills of US forces and for enhancing interoperability with Australian forces.
- 4.15 While evidence to the inquiry favoured the continuation of combined training between the US and Australia, some groups continue to strongly oppose such training. The MAPW describes three areas for which they have serious concerns. They state:

The environmental impacts of the forthcoming Talisman Sabre exercise are likely to be enormous and go far beyond the single issue of depleted uranium, but at the absolute minimum the Australian Government should ensure that depleted uranium weapons are not used. Failure to do so would be an abrogation of the Government's responsibility towards the health of the people of Australia.

A further health concern in relation to large scale military exercises is the impact on health for women (and men) in the area. MAPW believes that any assessment of the outcomes of such exercises

10 Future Directions International, *Submission 3*, p. 7.

which does not measure the rise of sexually transmitted infections, unwanted pregnancies and other undesirable social outcomes, is incomplete.

A more fundamental concern with such large scale exercises being conducted in Australia is the message this sends to our neighbours and others, who could well ask: Why is Australia doing this? There is currently no threat to Australia for which Operation Talisman Saber is relevant. Therefore the following question remains unanswered: Against whom is Australia preparing to fight? Such uncertainty is destabilising, and can only undermine our relationships with our neighbours.¹¹

Australia - US Joint Combined Training Centre

4.16 Discussion of a combined US–Australia Joint Combined Training Centre (JCTC) has attracted significant public and media attention in Australia as some groups linked the centre to a permanent US defence presence in Australia. Progress on defining the exact nature of the JCTC however has been slow. In March of 2004 Defence stated:

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.¹²

4.17 The range of options appeared to vary from a formalising of existing US access to Australian training areas such as Shoalwater Bay and Bradshaw Field Training Area through to an Australian version of the US Combat Training Centre, examples of which are currently operated in both the US and Europe. Dr Rod Lyon and Ms Lesley Seebeck suggest that 'opportunities should be explored to maximise the range of joint training

11 Dr Susan Wareham, Medical Association for Prevention of War, *Submission 22*, p. 5

12 Mr Shane Carmody, Deputy Secretary, Department of Defence, 26 March 2004, *Transcript*, p. 8.

between the two countries, including training in the difficult areas of urban operations and 'stabilization' missions.'¹³

- 4.18 What was agreed is that the proposed facility will not be a US base on Australian soil. The US Ambassador stated:

I have not heard anybody talk about the necessity of basing anything in Australia. As far as I am aware and as far as I have heard General Myers, the Chairman of our Joint Chiefs of Staff, was here in January and he specifically said that that was not contemplated by anybody. Admiral Fargo, the Commander of our Pacific Command, has said the same thing. Doug Feith, the Under Secretary of Defense for Policy in the Defense Department, who is in charge of all this, said the same thing when he was here. So I do not think anybody contemplates the need for a base or a request for a base in Australia.¹⁴

- 4.19 In a later submission to the inquiry Defence updated the Committee on progress in defining the JCTC. Defence stated:

At AUSMIN [Australia / US Ministerial Talks] in July 2004, Ministers agreed to advance the JCTC as a means to improving high-end interoperability of Australian and US forces. The JCTC will also provide valuable assessments of Australia's operational preparedness and inform future capability development. Subsequent working-group meetings have produced a roadmap to test the Centre's capability in 2007 at the major Australia-US exercise, Talisman Sabre, to be held at Shoalwater Bay Training Area.

- 4.20 Defence continued by describing the nature of the JCTC when they stated:

A mature JCTC should not be seen as a test range or even a series of ranges. The JCTC should function as a training system that links training management systems, training areas, simulations, headquarters and units. It is proposed that the JCTC should be linked to the US Pacific Command's Pacific Warfighting Center and the US Joint Force Command's Joint National Training Capability as part of the US Global Joint Training Infrastructure. The JCTC concept envisages the enhancement of a number of Australia's ranges, including SWBTA, Bradshaw Field Training Area and the Delamere Range Facility. Ultimately these ranges could be networked through a series of interoperable systems and interfaces, enabled by advances in information technology.

13 Dr Rod Lyon and Ms Lesley Seebeck, University of Queensland, *Submission 4*, p. 7.

14 US Government, *Submission 7*, pp. 14-15.

- 4.21 HQ Pacific Command also stressed the importance to the Command of the ongoing development of the shared JCTC in Australia in discussions with the delegation in June 2005. The US officers explained that the JCTC will form an important step in the PACOMD preparedness pathway, particularly in the development of core warfighting skills and for interoperability with Australian forces. The delegation was given the impression that HQ PACOMD would be happy to see development of the JCTC move as quickly as practical toward resolution.
- 4.22 Despite the advantages combined training bought to activities such as Tsunami relief operations in Indonesia early in 2005 some groups continue to oppose such training. Equally, regardless of whether US forces will be permanently based at the JCTC, support for the concept is not universal. WILPF believe that 'no US base or 'training facility' can be in the long term interest of Australia as it will diminish Australia's standing with SE Asian and Pacific countries.'¹⁵

Exercising National Command

- 4.23 Recent military operations have been significantly more complex than many of the significant conflicts of the 20th Century. Threat forces in Afghanistan and Iraq have chosen to operate from amongst the population in those countries. In the insurgency phases of these operations threat combatants have rarely worn uniforms and have chosen to target the civilian population and civilian contractors as well as coalition service personnel. In such confused and demanding conditions, participating countries have imposed different national constraints on their military forces when these forces are required to apply force. These constraints are referred to as National Rules of Engagement (ROE).
- 4.24 As the nature of modern conflict has evolved, so too have Defence training activities. Defence evidence to the inquiry describes how Australian National Command and ROE are incorporated into all exercises with the US. This serves to ensure that US Commanders are aware that Australian Military Forces will at times have different restrictions placed upon them than those applying to US forces. Defence state:

Australian National Command and Rules of Engagement (ROE) are incorporated into all Australian exercises with the US. This is a fundamental aspect of ensuring our forces understand and can operate together effectively. ADF "Standing ROE" documentation is reviewed regularly to ensure currency, with training and

15 Women's International League for Peace and Freedom, *Submission 17*, p. 7.

exercise of these procedures occurring at all levels of Australia-US military engagement (from Command Post exercises to tactical level training). For example, Australia uses the Combined Rules of Engagement when exercising with US Pacific Command forces. Interaction between Australia's Asia Pacific Military Law Centre (APMLC) and the US Army Centre for Law and Military Operations makes important contributions to enhancing interoperability. The APMLC's charter is to facilitate cooperation amongst military forces of the Asia Pacific region in the research, training and implementation of the laws governing military operations.¹⁶

- 4.25 This aspect of combined training, while not as high profile as the amphibious landings on an activity such as Exercise Talisman Sabre, is critical to the success of modern operations. Members of the Committee who have travelled to Iraq and Afghanistan to visit ADF task groups in recent years have observed that significant differences exist in the Australian and US approach to the application of force and the development of ROE. Interaction on exercises will ensure that such differences are not a surprise to either side once operations commence.

Impact of High Operational Tempo on Training Activities

- 4.26 Since 1999, when the ADF became heavily committed to stabilisation operations in East Timor, the ADF has had a relatively high operational tempo. US forces began a similar high tempo period even earlier, with significant involvement in both Somalia and the former Yugoslavia. Since September 2001 US forces have entered a particularly demanding period of operations in which many US formations have deployed to either Iraq or Afghanistan every second year.
- 4.27 The demands on both countries have impacted on the availability of force elements for training activities. Defence states:

The high tempo of operational commitments for both Australia and the US has had an impact on training. Because of our tsunami relief efforts and Australia's deployment of the AMTG to Iraq, some military assets previously assigned to exercises, such as Talisman Sabre 05, were not available for training. The US is also heavily committed to operations in Iraq, and their assistance to tsunami and earthquake disasters in Indonesia has resulted in a

16 Defence, *Submission 20*, p. 9

short-term reduction of personnel and equipment available for exercises with Australia.¹⁷

- 4.28 Defence were confident that the reduction of forces available for training exercises would not impact on preparedness levels. Defence state:

This will not necessarily impact on interoperability between Australian and US forces because Australia's participation in operations with the US has allowed us to test 'real-time' interoperability, providing a better understanding of how our forces operate and can combine more effectively. The access Australia has in US-led operations, through senior command positions and embedded liaison officers, greatly improves our understanding of US forces.¹⁸

Conclusion

- 4.29 Evidence to the inquiry has been overwhelmingly in support of the value of combined exercises with the US. Submissions highlight the high standards of interoperability achieved in recent operations such as Tsunami Relief and in the Middle East as examples of the benefits of such exercises. The dangers of such issues as fratricide, a real concern when operating different or unfamiliar equipment in a dense, complex operating environment, mean that such interoperability is not a trivial issue.
- 4.30 The Committee are also aware of the extent of differences in national ROE. In Iraq for example, a recent Committee delegation was briefed that the US remains on offensive ROE, with very few restrictions on the application of force, while Australian forces have progressed to defensive ROE. The Australian troops that comprise the major Australian task group in Iraq, the Al Muthanna Task Group (AMTG), regularly participate in such exercises as Gold Eagle - a reciprocal exchange with the US Marine Corps - and so understand the US military culture and their very different ROE. Australian Special Forces in Afghanistan, while likely to have ROE close to those of their coalition partners, will still have a very different national view on the application of force. Perhaps more than any other group in the ADF, the Australian Special Forces will have worked long and hard to cross pollinate understanding of techniques with their US partners during extensive training exchanges.
- 4.31 The issue raised in earlier chapters about the nature of the alliance and possible perceptions about the lack of Australian independence mean that
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17 Defence, *Submission 20*, p. 10.

18 Defence, *Submission 20*, p. 10.

support for combined Australia - US training is not universal. The Committee also acknowledges concerns over the potential environmental impact of such training, and that major offensive exercises such as Exercise Talisman Sabre may send a negative message to some of the more sensitive countries in the region. Equally the Committee acknowledges community concern over the prospect of the JCTC, should that concept develop into a US base or facility.

- 4.32 However, the Committee strongly supports the need for combined training with the US across all three levels of command. The exposure of all echelons of the ADF to the culture and capability of the US military is critical to subsequent Australian success on operations. The US operates at a size and breadth of capability well beyond the experience of members of the ADF. For these members to develop the ability to contribute to large scale coalition operations they must have the opportunity to observe US forces in training.
- 4.33 The Committee also expects that interaction between the ADF and the US military may lead to enhanced levels of understanding within the US of the strengths of the Australian way of conducting operations. In some cases it is possible that the smaller ADF may have been able to adjust to the demands of modern military conflict more quickly than the much larger US forces. In such cases interaction with the ADF may have a positive impact on US performance.

Recommendation 4

The Committee supports the continuation of joint training between the Australian and US Defence Forces and recommends that the Joint Combined Training Centre (JCTC) concept be codified in a Memorandum of Understanding before Exercise Talisman Sabre 2007.

Recommendation 5

The Committee recommends that the Australian Defence Force continue to apply the most appropriate rules of engagement consistent with the Australian assessment of application of force.

Dialogue with US on Missile Defence

Introduction

- 5.1 Australia, like many other countries, is concerned at the destabilising effect of the proliferation of weapons of mass destruction (WMD) and of their delivery systems, such as ballistic missiles.¹ This threat, combined with that of global terrorism, requires a range of policies and tools that go beyond the traditional need for a strong defence force.
- 5.2 In late 2003, Australia agreed in principle to greater participation in the US Missile Defence program. Since then, Australia has been working with the US to determine the most appropriate forms of Australian participation in the program. In the immediate aftermath of the announcement of Australia's involvement there was some debate in Australia and the region concerning the Missile Defence program in general, and Australia's current and potential future involvement. This level of debate has not been sustained but the issue remains worthy of consideration in the context of this report.

The nature of modern Missile Defence

- 5.3 Missile Defence is a non-nuclear defensive system that is not intended to threaten other states. Its purpose is to negate the threat of ballistic missiles and discourage other states from investing in ballistic missile systems.²

1 Department of Defence, *Submission 6*, p. 10.

2 Dr Richard Brabin-Smith, Australian Strategic Policy Institute, *Strategic Insights 5, Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 2.

Therefore, Missile Defence can 'strengthen deterrence by limiting the options for aggressive behaviour' by states with small or undeveloped missile programs.³

- 5.4 Since the end of the cold war WMD and their means of delivery, such as ballistic missiles, have undergone considerable change. Despite the efforts of the international community, the number of states that have access to ballistic missile technology has increased and there are now a range of states with 'many different levels of capability, in areas such as range, warhead and decoys.'⁴
- 5.5 In the Asia Pacific region concern over the proliferation of WMD and the development of delivery systems has centred largely on North Korea, where only staggered progress has been made in developing diplomatic solutions, but importantly the number of systems that might be possessed by such a nation are likely to be small.
- 5.6 Developing a Missile Defence system is not easy. The capabilities required are extensive, diverse and include a highly complex and integrated 'system of systems'. System components include:
- intelligence;
 - early warning;
 - tracking and interception of missiles during the boost, mid-course and terminal phases of their trajectories; and
 - a highly responsive command and control system.⁵
- 5.7 It is worth noting that despite significant investment of both time and money the US has achieved only partial success with its Missile Defence program.
- 5.8 As a direct result of the difficulties with the technology, the US Missile Defence plans have changed since the cold war years. The Strategic Defence Initiative (SDI or 'Star Wars') was intended to deter or defeat an attack by thousands of warheads, probably from the former Soviet Union. The goal of today's missile defence program is limited to defend against tens of missiles and warheads⁶ from states such as North Korea. The US Ambassador stated:

3 Dr Carl Ungerer, University of Queensland, *Submission 2*, p. 3.

4 Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 2.

5 Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 3.

6 Therefore it is misleading to use the term 'son of Star Wars' to describe the current US Missile Defence program. Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 2.

In the 1980s we were talking about strategic missile defence, that we were trying to have a deterrent for the Soviet Union or China per se. What we are talking about here is a very limited defensive system that would deter a rogue state from launching a handful of missiles. This missile system could be quickly overcome by the great powers because they have enough capacity to overcome it. But what we seek is more security from the attack of the rogue state that might have a handful of weapons and might try to blackmail us or blackmail our allies into doing something not in our own interest.⁷

- 5.9 The US Missile Defence program is intended to defend the US homeland, its friends and allies, and deployed forces overseas.⁸ Current plans include the development and deployment of a broad range of sensors, trackers and interceptors, with a focus on putting a modest level of capability into service in the short term, and thereafter, higher levels of capability.⁹

Allied involvement

- 5.10 The US has emphasised that the Missile Defence program will be structured to encourage the participation of friends and allies, and that cooperation is proposed at either government to government or industry to industry contracting/subcontracting level.¹⁰ The levels of interest and participation are left to each ally to determine.¹¹ To date, both the British and Japanese Governments have made commitments to work with the US on Missile Defence.
- 5.11 On 12 June 2003, the United Kingdom signed a Memorandum of Understanding (MOU) with the US on Ballistic Missile Defence which established a basis for industry participation.¹²

The UK stated that the decision did not commit the Government to any greater participation in the US Missile Defence Program but kept open the prospect of acquiring such capabilities in the future.¹³

7 HE Mr Thomas Schieffer, US Ambassador to Australia, 21 June 2004, *Transcript*, p. 13.

8 US Government, *Submission 7*, p. 7. See also Dr Ron Huisken, *Submission 10*, pp. 6-7 and Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 2.

9 Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 4.

10 Department of Defence, *Submission 6*, p. 11.

11 US Government, *Submission 7*, p. 7.

12 Department of Defence, *Submission 6*, p. 11.

13 Department of Defence, *Submission 6*, p. 11.

- 5.12 Defence stated that a number of European aerospace companies have also expressed an interest in participating in the Missile Defence Program and have signed MOUs with Boeing to investigate possible areas for cooperation.¹⁴
- 5.13 Japan already has some key elements of a Missile Defence system and has sought a major commitment to Missile Defence in its future budget proposals. Defence stated:
- Missile Defence, in light of the missile and nuclear threat from North Korea, is a major element in changing Japanese defence posture, which is increasingly recognising the need for Japan to enhance its defence capabilities.¹⁵

Australia's role

- 5.14 Australia has a history of cooperation with the US in Missile Defence. For over 30 years the Joint Defence Facilities, formerly at the Joint Defence Facility at Nurrungar and now as the Relay Ground Station (RGS) at Pine Gap, have been involved in detecting the launch of ballistic missiles.¹⁶ Defence stated:
- This has been a major contribution to strategic stability, and to the detection of the launch of theatre ballistic missiles (for example Iraq's use of SCUD missiles to attack Iraq during the first Gulf War).¹⁷
- 5.15 The RGS currently supports the Defence Support Program (DSP) satellites. It is planned that the DSP satellites will be supplemented by Space-Based Infra-Red System (SBIRS) within a few years, providing an enhanced Ballistic Missile Early Warning capability. Defence stated that under a formal arrangement with the US, Australia will continue to be involved in the mission. Moreover, that the RGS at Pine Gap has been designed to accept data from the DSP and SBIRS satellites, and that the ballistic missile launch early warning information could be used in any US Missile Defence system.¹⁸ Therefore, Australia will continue to have an integral role in Missile Defence for as long as Australia continues its involvement in the DSP and SBIRS programs.¹⁹

14 Department of Defence, *Submission 6*, p. 11.

15 Department of Defence, *Submission 6*, p. 12.

16 Department of Defence, *Submission 6*, p. 12. See also Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, pp. 2-3.

17 Department of Defence, *Submission 6*, p. 12.

18 Department of Defence, *Submission 6*, p. 12.

19 Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 4.

- 5.16 Defence stated that Australian involvement in the DSP system also 'includes a presence at the central processing facility in the US and some research and development conducted by the Defence Science and Technology Organisation (DSTO).'²⁰
- 5.17 On 4 December 2003 the Minister for Defence announced that Australia had 'agreed in principle to greater participation in the US Missile Defence program.'²¹ The Minister stated 'Australia was working with the US to determine the most appropriate forms of Australian participation that will not only be in our strategic defence interests but also provide maximum opportunities for Australian industry.'²² The Government's decision was guided by its assessment of Australia's strategic interests. Specifically, it 'considered the security of Australian interests in the longer term, in a global and regional environment made less certain by the threat from the proliferation of WMD and of ballistic missile capabilities.'²³
- 5.18 In February 2004 Defence stated Australia had not yet committed to any specific activity or level of participation in the US program.²⁴ Specifically, the mechanisms to progress cooperation had been discussed, including the option of establishing a working group and developing an MOU. Defence stated:
- They could include:
- expanded cooperation in Ballistic Missile Early Warning activities;
 - acquisition of, or other cooperation in the fields of, ship-based and ground-based sensors;
 - cooperation in the exploitation and handling of data from sensors; and
 - science and technology research, development, testing and evaluation.²⁵
- 5.19 Defence stated that at this stage, Australia 'does not envisage a "missile shield" that could provide comprehensive protection against all forms of missile attack on Australian population centres.'²⁶ Further:
- The cost of such a system would be prohibitive. But by participating in the system, Australia will contribute to global and

20 Department of Defence, *Submission 6*, p. 12.

21 Senator the Hon Robert Hill, *Media Release*, 4 December 2003.

22 Senator the Hon Robert Hill, *Media Release*, 4 December 2003.

23 Department of Defence, *Submission 6*, p. 10.

24 Department of Defence, *Submission 6*, p. 10.

25 Department of Defence, *Submission 6*, p. 12.

26 Department of Defence, *Submission 6*, p. 11.

regional security, and to the security of Australia and its deployed forces, and to those of its friends and allies.²⁷

- 5.20 The US Government stated that the 'framework agreement currently under negotiation will provide Australia the opportunity to explore areas of interest to itself.'²⁸
- 5.21 Missile Defence should not be expected to generate large financial costs for Australia over the next decade as the program is 'still in its infancy, and Australia would not be purchasing hardware until a more effective and proven capability has evolved.'²⁹

Advantages for Australia

- 5.22 The advantages of Australia's dialogue with the US on Missile Defence have been clearly reported in the inquiry's evidence. These broadly include: the defence of Australia and Australian forces deployed overseas; greater deterrence; opportunities for scientific and industry participation in research and manufacture; development of policy and strategy; and the ability to contribute to the direction of the US Missile Defence program. The evidence to the inquiry addressing these points is broadly discussed in the following paragraphs.

Defence of Australia and Australian forces deployed overseas

- 5.23 While Australia does not face immediate threat from ballistic missiles, the Government believed it was necessary to address possible future threats to Australia and Australian forces deployed overseas.³⁰ Defence stated:

Missiles are attractive to many nations as they can be used as an asymmetric counter to traditional military capabilities. Ballistic missiles have been used in several recent conflicts, including the 1991 Gulf War, the Afghan Civil War, the war in Chechnya, and the recent war in Iraq. Of particular concern, many countries with questionable commitment to non-proliferation are also developing WMD-capable missiles of increasing range and sophistication.

27 Department of Defence, *Submission 6*, p. 11.

28 US Government, *Submission 7*, p. 8.

29 Dr Ron Lyon, Lecturer and Ms Lesley Seebeck, PhD candidate, University of Queensland, *Submission 4*, p. 7.

30 Department of Defence, *Submission 6*, p. 10 and Senator the Hon Robert Hill, *Media Release*, 4 December 2003.

Some of these countries are actively assisting others with such programs.³¹

- 5.24 Many states in the broader region have nuclear missile capabilities or programs including China, India, Pakistan, and North Korea. However, as Dr Richard Brabin-Smith stated, 'it is difficult to conclude that the risk of attack would warrant major investment in Australia's own missile defences.'³² The most credible threat would be against ADF deployments to distant theatres, and Australia could 'reasonably expect the US to provide theatre defence for any off-shore operation needing protection against ballistic missile attack.'³³
- 5.25 The majority of the evidence to the inquiry supported the Australian Government's current approach and that Missile Defence and 'other defence measures against these possible threats should continue to be investigated.'³⁴

Greater deterrence

- 5.26 Deterrence resulting from the Australia-US alliance is particularly significant for Australia. Evidence to the inquiry supported the theory that this element would be enhanced through Australia's greater participation in the Missile Defence program. Dr Brabin-Smith recognised the strategic implications and stated:

There can be no doubt that an effective missile defence system would raise the threshold for serious entry into the club of proliferates or rogue states. This would do more to decrease the prospect of proliferation than to increase it.³⁵

- 5.27 Dr Ron Huisken also states that 'Australia's decision to join the US missile defence program will make us a more direct player in this very big league'.³⁶

31 Department of Defence, *Submission 6*, p. 11.

32 Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 6.

33 Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 6.

34 Brigadier John Essex Clark (Retd), Returned and Services League of Australia Ltd, 26 March 2004, *Transcript*, p. 30.

35 Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 7.

36 Dr Ron Huisken, Australian National University, *Submission 10*, p. 7.

Opportunities for scientific and industry participation in research and manufacture

- 5.28 Australia's greater participation in the Missile Defence program could generate opportunities for Australian industry, as has been experienced previously. For example, the Minister stated Australia's 'decision last year to invest in the systems development and demonstration phase of the Joint Strike Fighter program is already paying dividends, with nine contracts awarded to Australian companies to date.'³⁷
- 5.29 Greater participation could also generate important opportunities to build on the strength of the relationship in defence science. Enhanced engagement with the US on this issue would provide Australian science and industry with the opportunity to participate in research and manufacture at levels previously not addressed.³⁸ The US Government stated:
- Australia's participation in Missile Defence will enable the Australian Government to see and consider the entire array of systems and programs that form a layered defense against all ranges of missiles at every part of the trajectory of an offensive missile (boost, mid-course, and terminal phases).³⁹
- 5.30 Conversely, Australia has a 'variety of niche industrial capabilities of interest to the United States for its own defence, such as radar, sensor and data fusion technologies.'⁴⁰ Dr Carl Ungerer stated '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.'⁴¹
- 5.31 The opportunities to conduct more joint scientific investigations, could add to Australia's understanding of Missile Defence, and of 'advanced defence technologies more generally, and add a contemporary dimension to our relationship with the US.'⁴²
- 5.32 In addition Defence stated 'Such capabilities and technologies are of considerable interest for our own application in intelligence, surveillance, reconnaissance and defensive systems - even if these are not oriented towards defence against ballistic missiles.'⁴³
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37 Senator the Hon Robert Hill, *Media Release*, 4 December 2003.

38 Future Directions International, *Submission 3*, pp. 19-20.

39 US Government, *Submission 7*, p. 8.

40 US Government, *Submission 7*, p. 8.

41 Dr Carl Ungerer, Lecturer, University of Queensland, 7 April 2004, *Transcript*, p. 3.

42 Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 8.

43 Department of Defence, *Submission 6*, p. 12.

Development of policy and strategy

5.33 Evidence to the inquiry recognised that Missile Defence would need to be part of a much broader array of policy tools and instruments to reduce the threat of ballistic missile proliferation. The FDI US-Australia Foundation considered this advantageous and stated:

The implications of Australia's dialogue with the US on cooperation in ABM programs primarily include the opportunity that Australia should be able to develop the technical understandings to create credible strategies and policies for defence against potential missile/nuclear threats to Australia.⁴⁴

Ability to contribute to the direction of the US Missile Defence program

5.34 Importantly, Australia could also play a useful role contributing to the development of the approach by the US to address regional interests and concerns about Missile Defence.⁴⁵

Disadvantages and domestic perceptions

5.35 Some evidence to the inquiry highlighted the potential disadvantages of the US Missile Defence program in general. The primary concern raised was that the program could in fact threaten international peace and security, and 'lead to the further proliferation of weapons of mass destruction, and missiles and other means for their delivery.'⁴⁶ Professor Paul Dibb stated for example:

What else does China have? It has 20 intercontinental ballistic missiles. If I were in Beijing, I would look at the ballistic missile shield of 40 interceptors in the US and say: 'I don't know whether I believe the Americans will stop at 40. They have enormously impressive technology and, if it is successful, it could effectively disarm China.' If that were the case, my concern would be that that would lead to a regional arms race, with China proliferating missiles and warheads, India reacting in turn and Pakistan

44 Future Directions International, *Submission 3*, p. 19.

45 Mr Peter Jennings, Australian Strategic Policy Institute, *Submission 11*, p. 12.

46 Women's International League for Peace and Freedom, *Submission 17*, p.5 and Medical Association for Prevention of War, Australia, *Submission 16*, p. 7.

reacting in turn to that. At very least, we should be debating this issue and not just be accepting everything we are told.⁴⁷

- 5.36 However, as Dr Brabin-Smith stated 'it is difficult to determine whether Australia's involvement in or potential acquisition of defences against ballistic missiles would prompt an arms race in our immediate region.'⁴⁸
- 5.37 Other concerns raised in the evidence about the Missile Defence program related to the weakening of international obligations and understandings. WILPF stated that the Missile Defence system 'not only violates the 1967 UN Outer Space Treaty but also required the abrogation by the US' of the Anti-Ballistic Missile Treaty.'⁴⁹ WILPF continued, 'Australia should not condone, be a party to, or cooperate with any nation that violated the Outer Space Treaty or puts its own interests above the collective interests of every other country.'⁵⁰ In addition, the 'demise of the ABM treaty has lifted all restrictions on this development program, and left other states reliant solely on US statement of intent regarding the scale of deployments.'⁵¹
- 5.38 The Medical Association for Prevention of War, (MAPW) Australia is concerned by the lack of debate about this important policy issue by both the Parliament and in public. They state:
- ...the extent of that debate seems to have been very small, what was not stated was the extraordinary fact that there has been virtually no debate in parliament on this issue. It is difficult to comprehend how an agreement between Australia and the US of such significance to the security of Australians could have been deemed unworthy of any significant discussion in parliament.
- 5.39 MAPW, WILPF and the United Nations Association of Australia Incorporated (UNAA) requested that the Government reverse the decision for Australia to take part in the Missile Defence program.⁵² WILPF stated that Australia should instead adopt a neutral position as this 'would be in Australia's best long-term interests, maintaining our independence and

47 Professor Paul Dibb, Chairman, Strategic and Defence Studies, ANU, 2 April 2004, *Transcript*, p. 61.

48 Dr Richard Brabin-Smith, ASPI Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 5.

49 Women's International League for Peace and Freedom, *Submission 17*, p. 5. See also Medical Association for Prevention of War, Australia, *Submission 16*, p. 7.

50 Women's International League for Peace and Freedom, *Submission 17*, p. 5.

51 Dr Ron Huiskens, Strategic and Defence Studies, ANU, *Submission 10*, p. 7.

52 Medical Association for Prevention of War, Australia, *Submission 16*, p. 7, Women's International League for Peace and Freedom, *Submission 17*, p. 5 and United Nations Association of Australia Inc, *Submission 18*, p. 4.

keeping us in line with other countries who are working toward a reduction in militarism.⁵³

5.40 Dr Carlo Kopp and the Australia Defence Association stated that the criticism of participation in the US Missile Defence program 'appears to be centred in political issues rather than the technical and military-strategic issues of concern.'⁵⁴

5.41 Concerns were also raised in the inquiry evidence in relation to the level of public knowledge, and the level of public and Parliamentary debate and scrutiny, of Australia's involvement in the US Missile Defence program. In particular, the RSL stated:

The process and results of this dialogue should be communicated openly to the Australian people and whatever decision made must be justified clearly and unambiguously in the national interest.⁵⁵

5.42 Dr Brabin-Smith stated:

Because the level of missile defence capability that the US is planning is limited, it should neither upset the stability of the nuclear balance nor cause Russia or China to expand their strategic nuclear forces. But this is a key judgement. Our government needs to satisfy itself independently that this is the case, and to explain it carefully to the Australian people...⁵⁶

5.43 Whilst the MAPW requested that Australia no longer be involved in the Missile Defence program, the organisation stated that 'As a preliminary step, this issue must have far greater parliamentary and public scrutiny.'⁵⁷ In particular, MAPW raised the following matters as those that should be addressed:

- the nature and magnitude of the missile threat to Australia;
- possible ways of responding to the threat;
- likely impact of Missile Defence on the prospects for disarmament;
- role of Pine Gap in the proposed Missile Defence system;
- likely impact of missile Defence on the security of Australians; and
- the possible social and economic costs to Australians.⁵⁸

53 Women's International League for Peace and Freedom, *Submission 17*, p. 6.

54 Dr Carlo Kopp, Defence Analyst and Consulting Engineer, *Submission 9*, p. 13 and Australia Defence Association, *Submission 5*, p. 7.

55 Returned and Services League of Australia Ltd, *Submission 1*, p. 5.

56 Dr Richard Brabin-Smith, Australian Strategic Policy Institute Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 7.

57 Medical Association for Prevention of War, Australia, *Submission 16*, p. 7.

58 Medical Association for Prevention of War, Australia, *Submission 16*, p. 7.

- 5.44 In addition, MAPW stated that detailed consideration should be given to the potential health and environmental consequences of the operation of the Missile Defence system. Specifically, 'the possibility of a missile being intercepted and its nuclear, biological or chemical contents being dispersed over populated (or any) areas has not even begun to be addressed.'⁵⁹
- 5.45 Moreover, the WILPF stated that there is 'a sizable citizen opposition' to the Australian and Japanese Government's involvement in the Missile Defence program.⁶⁰

Regional perceptions

- 5.46 Dr Huisken stated Missile Defence is likely to be 'one of the underlying strategic developments that will shape the character of relationships critical to the security of the Asia Pacific over the longer term, notably US-China, China-Japan but possible also US-Russia.'⁶¹
- 5.47 The Australian Government does not believe that Missile Defence will threaten regional stability.⁶² The intent of such system is defensive, not offensive and as Dr Brabin-Smith stated 'it's not as if we would be seeking to protect the advantage of our own ballistic missiles.'⁶³
- 5.48 The US Government stated that '[m]ajor world powers understand the true intent behind the United States Government's current development and deployment of MD technology and thus, no new arms race has occurred.'⁶⁴ The US Ambassador stated:

I think that we have tried to consult across Asia and brief people on what missile defence is all about. I think we have largely been successful in getting the message across that it is not aimed at great powers; it is aimed at rogue states and terrorists who might acquire missile technology or a missile and then launch it. As a result of that, I think that the reaction in the region has been quite good.⁶⁵

59 Medical Association for Prevention of War, Australia, *Submission 16*, p. 7.

60 Women's International League for Peace and Freedom, *Submission 17*, p. 5.

61 Dr Ron Huisken, Australian National University, *Submission 10*, p. 6.

62 Department of Defence, *Submission 6*, p. 11.

63 Dr Richard Brabin-Smith, Australian Strategic Policy Institute Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 5.

64 US Government, *Submission 7*, p. 7.

65 HE Mr Thomas Schieffer, US Ambassador to Australia, 21 June 2004, *Transcript*, p. 5.

5.49 In relation to how states in the Asia-Pacific region viewed Australia's dialogue with the US on Missile Defence, the Department of Foreign Affairs and Trade stated 'There have been pretty much low-level reactions in the region.'⁶⁶

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.⁶⁷

5.50 In particular, 'Indonesia has made comments of a mixed nature-some a little critical, some supportive or at least understanding.'⁶⁸ Dr Ungerer stated:

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.⁶⁹

5.51 Evidence to the inquiry stated that it is important for the Australian Government to make its reasons and intentions in relation to Missile Defence clear to regional governments.⁷⁰ Moreover, Dr Ungerer stated it was necessary to establish a 'clear set of policy directions on this issue to reassure the international community that the norms of non-proliferation behaviour and the integrity of the non-proliferation regimes will be upheld.'⁷¹

66 Ms Susan Dietz-Henderson, Assistant Secretary, Strategic Affairs Branch, International Security Division, Department of Foreign Affairs and Trade, *Transcript*, p. 63.

67 Ms Susan Dietz-Henderson, Assistant Secretary, Strategic Affairs Branch, International Security Division, Department of Foreign Affairs and Trade, *Transcript*, p. 63.

68 Ms Susan Dietz-Henderson, Assistant Secretary, Strategic Affairs Branch, International Security Division, Department of Foreign Affairs and Trade, *Transcript*, p. 63.

69 Dr Carl Ungerer, Lecturer, University of Queensland, 26 March 2004, *Transcript*, p. 9.

70 Dr Richard Brabin-Smith, Australian Strategic Policy Institute Strategic Insights 5, *Australia and Ballistic Missile Defence: Our policy choices*, April 2004, p. 5. See also Returned and Services League of Australia Ltd, *Submission 1*, p. 5.

71 Dr Carl Ungerer, Lecturer, University of Queensland, *Submission 2*, p. 4.

Alternatives to Missile Defence

5.52 The Department of Defence was asked if any alternatives existed to the types of technology being proposed by the US Missile Defence system. In response Defence stated:

The ADF currently has a range of Intelligence, Surveillance and Reconnaissance, Command and Control and Air Defence and Air Warfare capabilities that both protect deployed ADF personnel and provide a significant deterrent and response capability. The ADF will acquire more such capabilities under the Defence Capability Plan, most notably the Air Warfare Destroyer, project Wedgetail, and the JSF. Achieving a level of deterrence against missile attacks comparable to that offered by the Missile Defence Program would however be more difficult and very much more costly for Australia if we were not to associate with the Missile Defence Program.⁷²

Conclusion

5.53 The evidence to the inquiry indicates that the support for the alliance extends to the dialogue with the US concerning greater participation in the Missile Defence program.

5.54 Limited objection to the program may also be because the system is a defensive one. Missile Defence appears to be a reasonable response to deterring the proliferation of WMD and their delivery systems. Missile development by states operating outside the international system of proliferation controls potentially becomes redundant if there is a credible Missile Defence system in place in the region, capable of destroying 10 to 20 missiles in flight. Continued dialogue therefore has 'no real disadvantage at this stage.'⁷³

5.55 Unfortunately, investment in Missile Defence technology potentially adds to the trend of US dominance in conventional military power. In turn, this US technological dominance forces either state or non-state actors to undertake asymmetric or avoidance behaviour. If direct military attack on the US and its allies is not possible using missiles, threat forces may simply revert to unconventional methods of delivering warheads. Security forces around the world are already alert to the possibility that WMD may be moved using commercial shipping or carried across land borders in

72 Department of Defence, *Submission 20*, p. 11.

73 Australia Defence Association, *Submission 5*, p. 7.

vehicle transport. These delivery methods do not require threat forces to directly challenge the technology advantage of the US and its allies, making them at least as likely as attack using missiles.

- 5.56 The Committee supports ongoing Australian involvement in the development of technology to defend Australia against missile attacks. Equal effort must continue to be directed to initiatives that limit the proliferation of missile and WMD technology through both diplomatic action and military interdiction where necessary.
- 5.57 Concurrently, initiatives to strengthen Australia's border security and customs arrangements must also be adequately funded. Currently less than 10% of containers arriving in Australia are subject to inspection.⁷⁴ While significantly higher numbers of inspections are undertaken on containers and ships arriving from countries suspected of proliferation or of supporting terrorist activities, the risk of infiltration to Australia remains real. Investment in the Missile Defence program must be balanced against investment in Container Examination Facilities (CEF) and other enhancements to border and port security. The CEFs integrate container x-ray technology with physical examination and a range of other technologies such as pallet and mobile x-ray units, ionscan technology and radiation and chemical warfare agent detectors. These mature technologies represent an important deterrent, the equal of the Missile Defence program.
- 5.58 Opinion was divided along party lines about whether Australia should continue to participate in the US Missile Defence Program to deter those states seeking to develop ballistic missile programs. Supporters of the US Missile Defence Program recognise that investment in the program needs to coincide with enhanced border protection and customs capabilities.**

74 The Auditor General, Audit Report No. 16 2004/5, *Container Examination Facilities*, p. 3.

Australia US relations in Asia Pacific

Introduction

- 6.1 Discussion of the Australia-United States (US) defence relationship primarily concerns military cooperation and interoperability but the relationship continues to be founded upon higher order issues such as shared values and interests. The evidence provided to the inquiry strongly indicates that the two countries 'continue to share a remarkable degree of overlapping security interests'.¹ From an Australian perspective, foremost amongst these interests is the need for a stable Asia-Pacific to allow us to continue to maintain security and economic prosperity. While the Asia-Pacific region may not currently be the foremost regional concern from a US perspective, few would argue it is not an area of significant importance, likely to become more important in the future.
- 6.2 This chapter will provide an overview of the benefits and risks to Australia of US engagement in the region and the associated regional perceptions of this engagement. The chapter will also consider the specific implications of Australia and US engagement with ASEAN, China, Japan, the Korean peninsula and India.

US engagement in the Asia Pacific region

- 6.3 US engagement in Asia, 'while it has a long history, is not simply a legacy of the past.'² In 2001 the US economy accounted for one third of global

1 Mr Peter Jennings, Australian Strategic Policy Institute, *Submission 11*, p. 3.

2 US Government, *Submission 7*, p. 3.

Gross Domestic Product (GDP)³ which means the US clearly has economic and security interests in every corner of the globe. These include significant trading relationships in Japan, Korea and the growing south Asian economies. The Asia-Pacific region is therefore important to current US global initiatives and to the US ability to meet security challenges in the future.

- 6.4 The US Government submission to the inquiry reminded the Committee of President Bush's comments about the US role in the Asia-Pacific region, to the Australian Parliament in October 2003, when he stated:

Our nations have a special responsibility throughout the Pacific to help keep the Peace, to ensure the free movement of people and capital and information, and advance the ideals of democracy and freedom. America will continue to maintain a forward presence in Asia, and to continue to work closely with Australia.⁴

- 6.5 The submission expanded on the issues raised by the President when it stated:

The number and variety of international initiatives in which both our countries are involved demonstrates this fact. These include efforts to get North Korea to dismantle its nuclear program, the initiative to curb North Korea's illicit activities, the informal US/Australia/Japan security tri-laterals (now expanded to include counterterrorism), US-Australian coordination on Indonesia and East Timor, and Australian leadership of the intervention in Solomon Islands – just to name a few. In addition, Australia, Japan, and eight other countries are actively participating with the US in the Proliferation Security Initiative (PSI).

- 6.6 More recently the 2005 Australia – United States Ministerial Consultations Joint Communiqué stated:

Australia and the United States reaffirmed the importance of a continued strong US presence to maintaining the security and prosperity of the Asia-Pacific region. The United States welcomed Australia's contribution to the stability and security of the Pacific Island countries. Australia reaffirmed its support for proposed changes in the United States' regional force posture and welcomed progress by the United States and Japan in their alliance transformation. Both countries welcomed Japan's increasing

3 US GDP figures are quoted from the World Bank (www.worldbank.org) by the Australian Strategic Policy Institute, *Submission 11*, p. 2.

4 US Government, *Submission 7*, p. 3.

contribution to regional security and agreed on the importance of greater trilateral cooperation.⁵

- 6.7 The majority of submissions regarded the US role and engagement in the Asia-Pacific region as a positive one. For example the Australia Defence Association (ADA) stated:

In general terms the US remains a force for good in world affairs. It is certainly better than the alternatives. This is especially so in the Asia-Pacific region where the overall strategic architecture is, or is potentially, more multipolar than other regions of the world, particularly in the longer term.

The strategic presence of the US in the Asia-Pacific region, and the web of collective defence alliances involved, make regional conflicts less likely not more likely. No other country, especially another democracy, could fulfil the role of the US in this regard.⁶

- 6.8 The Australian Strategic Policy Institute (ASPI) agreed. They regard the stabilising influence of the US as a key to preventing strategic competition in the region:

...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.⁷

- 6.9 Submissions to the inquiry do not include the same level of commentary on the views of other regional countries. However the scale of the network of US bilateral relationships with countries in the region suggests that their presence is regarded as central to stability in the Asia-Pacific region. These US bilateral relationships include Japan, South Korea, Thailand and the Philippines and an increasingly significant dialogue with China.

- 6.10 However, contrary views were also expressed to the inquiry, although usually in more general terms. One example is the view expressed by

5 Department of Foreign Affairs and Trade, *2005 Australia United States Ministerial Consultations Communiqué*, http://www.dfat.gov.au/geo/us/ausmin/ausmin05_joint_communique.html, accessed 21 Nov 05.

6 Australia Defence Association, *Submission 5*, p. 4.

7 Mr Hugh White, Director, Australian Strategic Policy Institute, 26 March 2004, *Transcript*, p. 46.

MAPW Australia who argued that more should have been done to 'develop a more comprehensive system of regional security in the Asia-Pacific region'⁸ based on multilateral agreements:

Multilateral agreements, such as the Treaty of Raratonga (1985) are a positive example of regional cooperation. The treaty defines the South Pacific Nuclear Free Zone prohibiting the manufacture, possession or testing of nuclear devices, and also prohibits the dumping of nuclear waste in the Pacific oceans.⁹

- 6.11 WILPF argue that Australia's alliance relationship with the US actually detracts from regional security when they state:

Defusion of any potential future threat, through ongoing dialogue with regional countries should be our paramount consideration. Ultimately, regional security and safety will depend more on us building an enduring close and fair relationship than on military might and uncritical compliance with US hegemonic ambitions.¹⁰

- 6.12 Mr Goh Chok Tong, Senior Minister of the Republic of Singapore, disagrees that Australia's alliance with the US prevents it from contributing to the stability of the region as part of Asia. In a recent speech in Australia Mr Goh Chok Tong stated that:

'The idea that Australia cannot be part of an Asian grouping because of its alliance with the US is false. Japan, Thailand, South Korea and the Philippines are treaty allies of the US. India recently embarked on a "New Strategic Framework" in defence relations with the US, while Singapore has just signed a "Strategic Framework Agreement" in defence and security cooperation with the US. None of these relationships are repudiated, or even reduced, by the fact that these countries see their destinies as inescapably linked to Asia's.'¹¹

- 6.13 The Senior Minister's comments suggest that the thematic issue of the perceptions of Australia's independence from the US, is worthy of consideration in this regional context. Despite much public discussion over the labelling of Australia as a 'deputy sheriff' for advancing US interests in the Asia-Pacific region, the true view of the relationship between Australia and the US in the region may be a more pragmatic one.

8 Medical Association for Prevention of War, Australia, *Submission 16*, p. 6.

9 Medical Association for Prevention of War, Australia, *Submission 16*, p. 6.

10 Ruth Russell and Cathy Picone, Women's International League for Peace and Freedom (Australian Section), *Submission 21*, p.8.

11 Mr Goh Chok Tong, www.unsw.edu.au/news/pad/Goh_Chok_Tong_speech_UNSW16Sep05.pdf, *Beyond History and Geography: Australia in Asia*, p. 6

6.14 On one side of this argument some submissions argue that the Australian posture shift from one embracing South East Asia as the primary focus of strategic interest, to one of unqualified support for the US has made us a regional outcast. Professor William Tow and Associate Professor Russell Trood, in their initial submission to the inquiry, stated:

To some policy-makers in Beijing, Kuala Lumpur and elsewhere in the region, the Australian posture appeared to clearly shift away from assigning primacy to cultivating ties and mutual interests with them and toward unqualified Australian support of American power and its interests in Asia. For such critics, this trend appeared to intensify with the Australian military intervention in East Timor during late 1999.

6.15 On the other hand officials in contact with their regional peers did not report this as an accurate view. Defence stated:

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.¹²

6.16 Mr Goh Chok Tong, one of Asia's most senior statesmen, favours this latter more pragmatic view. He believes that Australia has a special role in the region. He states:

'Australia is a developed country rich in natural resources, talented people and technology. Its political and cultural values are western but the society has a rich Asian mix. Australia enjoys close ties with the US and Europe. Australia is therefore well placed to serve as another nexus between the West and Asia.'¹³

6.17 It is possible that during the course of the inquiry the perception of Australia in the region may have shifted somewhat. Professor Tow reported a change in his own perception in the final hearing when he stated:

12 Mr Shane Carmody, Deputy Secretary, Department of Defence, 26 March 2004, *Transcript*, p. 23.

13 Mr Goh Chok Tong, www.unsw.edu.au/news/pad/Goh_Chok_Tong_speech_UNSW16Sep05.pdf, *Beyond History and Geography: Australia in Asia*, p. 3.

Essentially there was some feeling, at least in some parts of the new government, that there had been a tendency by the Howard government's predecessor to emphasise the region at the expense of the alliance and there was a visible effort both in terms of atmospherics as well as concrete policy to shift the emphasis back to an alliance-centric mode. But with the obvious interests that Australia continues to have in the region and those interests continuing to strengthen and grow, particularly with the China connection in terms of the trade issues, the Howard government seems to be shifting away from a distinctly American-centric strategic posture to one designed more to balance the alliance with regional political strategic interests and priorities.¹⁴

- 6.18 It appears that our regional neighbours understand that currently many of Australia's values and interests are shared with the US. We are therefore within our rights in promoting these interests despite a perception they may also be the interests of the US. As many of our neighbours enjoy similar bilateral relationships with the US, it is unlikely that any perception that Australia shares values or interests with the US will result in making Australia a regional outcast.

Regional Perspectives

ASEAN

- 6.19 'In East Asia, regionalism is less defined and institutionalised than in Europe or the Americas.'¹⁵ The ten countries that combine to form the Association of South East Asian Nations have a combined population of approximately 500 million people. They are a diverse group, difficult to describe as homogeneous, despite the words of the 1967 ASEAN Declaration which declare that the organisation 'represents the collective will of the member nations'¹⁶. The homogeneity of the region is further complicated by the sometime inclusion of China, Japan and South Korea in regional discussion (the ASEAN + 3 countries) and the ASEAN Regional Forum which introduces the interests of a further 10 ASEAN dialogue partners and a number of observers.¹⁷

14 Professor William Tow, Australian National University, *Transcript 9 Sep 05*, p. 3.

15 Mr Goh Chok Tong, www.unsw.edu.au/news/pad/Goh_Chok_Tong_speech_UNSW16Sep05.pdf, *Beyond History and Geography: Australia in Asia*, p. 2.

16 <http://www.aseansec.org>, p.1.

17 <http://www.dfat.gov.au/arf/background.html>

- 6.20 However it is reasonable to summarise that, at least privately, the majority 'support the US commitment to the stability of East Asia and its sustained preparedness to underline this commitment with military forces either based in or routinely deployed to the region.'¹⁸ This support manifests itself in several bilateral alliances. Some of these have significant historical significance – the Philippines in particular occupies a special place as one of the few former US colonies – while others are more pragmatic.
- 6.21 Despite this general acceptance of the US role in the region, Australia's alliance with the US has not always been an asset in our engagement with the ASEAN member countries. Our relationship with our largest immediate neighbour Indonesia is illustrative of this divergence.
- 6.22 During the Asian financial crisis in 1997 Australia's success in winning a softening of terms from the International Monetary Fund for a financially extended Indonesia to repay or extend loans was gratefully acknowledged by Indonesia.¹⁹ However, despite these efforts to positively influence US and international policy in relation to Indonesia, the Australian military intervention in East Timor in 1999, coincided with a temporary perception in some quarters that Australia endorsed the Bush administration's new pre-emption strategy directed against 'rogue states'.²⁰
- 6.23 More recently the election of the Yudhoyono Government has presaged an improvement in relations between the two countries. Australian military coordination of US and Australian aid to the province of Aceh following the Boxing Day 2004 Tsunami was understood and well received by President Yudhoyono. The warmth of the President's welcome in Australia, the subsequent generosity of the Australian public toward the disaster victims in Indonesia and the region and the Australian national contribution to Indonesian reconstruction all aided the strengthening of the relationship. Finally the shared tragedy of Indonesian disaster and the loss of nine ADF personnel when their helicopter crashed during relief operations on Nias Island may have ensured the relationship between Australia and Indonesia is as harmonious as has been the case for many years.
- 6.24 Indonesia appears to share the Singaporean view that Australia can serve as a bridge between itself and the US. Mr Shane Carmody, in his evidence on behalf of Defence explained that:

18 Strategic and Defence Studies Centre ANU, *Submission 10*, p.5.

19 Professor William Tow and Associate Professor Russell Trood, Griffith University, *Submission 8*, p. 7.

20 Professor William Tow and Associate Professor Russell Trood, Griffith University, *Submission 8*, p. 7.

They know that we have an alliance with the United States and they know that they are constrained in dealings with the United States – and sometimes they have difficulty understanding why. It is clear to us and it has been explained to the Indonesians on many occasions. But they certainly know that we are close. When I am dealing with my colleagues, my interlocutors, in Indonesia, for example, we will talk freely about our relationship with the United States. They will ask us why the freeze, why these issues are occurring in their relationship with the United States, and we will tell them. So they do not quite give us a message that they want to go through. We are not really in the message-carrying business. But they have an understanding when they are talking to us that it is quite likely that we will talk to our ally about them, and I think in so doing our frank relationship with them works.²¹

- 6.25 It appears the ASEAN member countries accept that Australia's relationship with the US helps anchor the US in the region. It is also understood that Australia has the potential to shape US policies to better serve regional needs and interests. However for Australia 'taking advantage of these circumstances is as demanding as it is potentially rewarding'.²² Dr Ron Huisken states:

While we can never hope to avoid all criticism that we have failed one side or the other, our longer term credibility is clearly dependent above all on the perception as well as reality that our policies, while reflecting a uniquely broad mix of interests and affiliations, are home grown.²³

- 6.26 Dr Huisken is consistent with the majority of submissions when he states that when it comes to our relationship with ASEAN countries 'there can be little doubt that Australia has lost ground in this regard'.²⁴ Huisken went on to say that 'to some extent, this has been the inescapable consequence of doing what we had to do, as in East Timor in particular.'²⁵ But most submissions also agree that the Australian Government realignment from the Asia-first policy of its predecessor, to a revival of the US and European relationship has been a significant factor.

- 6.27 While a number of submissions draw attention to the impact of this policy shift at the public level, few make comment on the real strategic implications. Professor Tow commented that there was a general lack of

21 Mr Shane Carmody, Dept of Defence, *Transcript 9 Sep 05*, p. 32

22 Strategic and Defence Studies Centre ANU, *Submission 10*, p.5.

23 Strategic and Defence Studies Centre ANU, *Submission 10*, p.5.

24 Strategic and Defence Studies Centre ANU, *Submission 10*, p.5.

25 Strategic and Defence Studies Centre ANU, *Submission 10*, p.5.

discussion about the 'geopolitical dynamics that underwrite Australia's National Interests.'²⁶

- 6.28 The degree to which members of ASEAN, the US and Australia are engaged to defeat global and regional terrorist organisations, and to prevent the proliferation of the components of weapons of mass destruction suggests that real cooperation goes much deeper than public comments or perceptions might suggest. Defence, gave us an insight into this deeper layer of cooperation:

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.²⁷

- 6.29 The actual views of the members of ASEAN about Australia's defence relationship with the US are a gap in the evidence to the inquiry but ASPI suggest that 'the strengthened links with Indonesia might also be seen as increasing Australia's connection to an emerging East-Asian regional community, which at times Australia has appeared to stand a chance of missing out on'.²⁸ ASPI goes on to say that 'one of the breakthroughs in this respect was the end of the Mahathir era – this led to improvements in Australia's relations with Malaysia and helped clear the way for Australia and New Zealand to attend the late 2004 ASEAN Summit.'²⁹
- 6.30 The 2004 ASEAN Summit in turn led to 'one of the most significant developments for Australian foreign and security policy...the decision by Australia to adhere to the Treaty of Amity and Cooperation (TAC) in South – East Asia.'³⁰ The significance of this undertaking by Australia is that it relates directly to concerns that the TAC could compromise ANZUS.
- 6.31 There was inherent conflict between the TAC and 'supporting an American posture of pre-emption against concentrations of terrorists in regional locations and the need to perhaps take out those types of

26 Professor William Tow, Australian National University, *Transcript 9 Sep 05*, p. 5.

27 Mr Shane Carmody, Deputy Secretary, Department of Defence, 26 March 2004, *Transcript*, p. 24.

28 Robert Ayson, ASPI Strategic Insight: *A shift in Focus? Australia and the stability of East Asia*, p. 6

29 Robert Ayson, ASPI Strategic Insight: *A shift in Focus? Australia and the stability of East Asia*, p. 6

30 Professor William Tow, Australian National University, *Transcript 9 Sep 05*, p. 1.

concentrations if the intelligence were sufficiently reliable that they were about to precipitate an attack on Australian interests either within the region or, alternatively but much less likely, on Australian soil.³¹

- 6.32 Professor Tow explained that several developments allowed the apparently irreconcilable differences between the TAC and an alliance that included in its 'tool bag' a pre-emption doctrine. He stated:

The first was there that has been a clear modification of the pre-emption doctrine in Washington over the last year, given the negative experiences of the occupation of Iraq by the coalition of the willing. Second, some specific formulas were conveyed to Australia, particularly by South Korea but also by Japan, whereby there could be written understandings exchanged between Australia and ASEAN that would guarantee that adherence to the TAC would not compromise alliance responsibilities... whereby there was a softening of Australian concern about this initial conflict of interest problem. So, in fact, when Australia goes before the East Asian summit in December, it will do so adhering to the TAC but with the understandings that ASEAN has given Australia, the deference in terms of its ANZUS treaty obligations.

- 6.33 Professor Tow concluded optimistically that 'a good precedent has been established in terms of the Australians and ASEAN working out their different perspectives.' He continued that 'ASEAN has shown its capacity to essentially respect and defer to Australian alliance interests here and, at the same time, Australia has obviously gone the extra mile to ensure that it is going to be able to participate in what is an important regional security initiative but in such a way that it still protects its prerogatives in terms of its own national security posture.'³²

China

- 6.34 The vast majority of submissions to the inquiry agree that US relations with an increasingly sophisticated People's Republic of China (PRC) are key to regional stability. China has an active role in strategic and security affairs in the Asia - Pacific region, as evidenced by the 18 September 2005 Chinese brokered agreement on North Korean nuclear disarmament, and China's economy is one of the major stimulants in world markets. However China polarises opinion, both in the region and within the US where two conflicting views underpin US strategic discussion on China. These can be broadly summarised as viewing China as either the great threat of the future or the great prize of the future.
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31 Professor William Tow, Australian National University, *Transcript 9 Sep 05*, p. 5.

32 Professor William Tow, Australian National University, *Transcript 9 Sep 05*, p. 6.

- 6.35 In the first view China is seen as a rising power that will inevitably clash with the established global power in every aspect of competition – including military. This view is based on American observations of the early decades of the 20th Century when Germany and Japan emerged or re-emerged on the scene, in which great powers inevitably clash when a rising power seeks to impose its will on the established power.
- 6.36 In the second view of the US – China relationship, which RAND believe is now held by the Bush Administration after an earlier period of suspicion, common interests that flow from trade and extensive engagement will over time bring the two powers closer together, making conflict highly unlikely. The US Department of Defence, an arm of the Executive Branch of Government, shares this view. In discussions with the Australian delegation the US Combatant Command with responsibility for China - Pacific Command - confirmed the US military's prudent preparedness for potential conflict in the Pacific but expectation that conflict was unlikely with China.
- 6.37 Discussion of conflict with an emerging China is usually focused on the Taiwan Straights. The island of Taiwan screens the maritime approaches from the east to both China and Japan. For China, who sees itself as a continental power, the issue of Taiwan is largely symbolic. For Japan, a Pacific maritime nation, reliant on the ocean for the import of resources and the delivery of exports, the dynamics of Chinese relations with Taiwan are crucial. The Taiwan issue has become more complex since Taiwan became a democracy in which unpredictable rivals use their attitude to mainland China as a means to demonstrate differences in policy. At the same time these rivals use the US as a security blanket under which they can retreat if their posturing elicits the wrong response from China.
- 6.38 China however has indicated extensive other territorial claims in the South China Sea. Sino – Japanese tensions for example continue over the Senkaku/Diaoyutai islands and sovereignty is contested over potential oil and gas fields in the East China Sea.
- 6.39 So, as Robyn Lim suggests 'things could go very wrong in East Asia, the only part of the world where great power war remains thinkable.'³³ The debate in Australia over this issue surrounds whether Australia's alliance with the US would require Australian involvement.
- 6.40 In this tense strategic setting Australia treads a fine line. It balances a close alliance with the US based on shared values which include the promotion and protection of developing democracies, and an increasingly warm

33 Robyn Lim, Defender – Autumn 2005, *Rising China: Risk of miscalculation*, p. 13.

- economic relationship with China that underpins a significant element of Australia's recent economic growth.
- 6.41 The evolution of the US administration view of China has eased some of the tensions that emerged 'out of Washington after Foreign Minister Downer's observation in Beijing in August 2004 about Australia being extremely careful in involving itself in any Taiwan contingency.'³⁴ In evidence to a parallel senate inquiry into Australia's relationship with China, Professor Paul Dibb described this Australian Government position as officially a 'One China policy with 'studied ambiguity' over the Taiwan Straights issue.'³⁵
- 6.42 The maturation of the US government position regarding Taiwan and China has reduced the urgency of debate over whether the alliance would require Australia to contribute forces to conflict over the straights. US emphasis is now 'not so much the commitment of physical or material assets if there were to be a contingency but rather that Australia be circumspect and delicately sensitive to the American policy of strategic ambiguity.'³⁶
- 6.43 Despite some clarification of Australia's position over its role in a potential conflict with China over Taiwan, evidence to the inquiry described Australia's excellent long term relationship with the US and its increasingly productive relationship with China as both a strength, in which Australia can contribute by maintaining open dialogue, and a potential area of future tension should the US and China have a major disagreement, particularly over Taiwan.
- 6.44 The ADA believe the US serves as a constraint to potential Chinese expansion ambition in the long term when they stated:
- While China, in particular, remains subject to an authoritarian government and culture, the dominant but self-restrained strategic presence of the United States in the Asia-Pacific remains an important constraint on the emergence of China as a potential contributor to strategic instability. We simply do not know, and cannot accurately foresee, what will happen in our wider region over the next half century.³⁷
- 6.45 ASPI highlighted the potential for future tension. Their strong recommendation that Australia maintain the important relationships it has developed with both countries as a tool able to reduce future
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34 Professor William Tow, Australian National University, *Transcript 9 Sep 05*, p. 2.

35 Professor Paul Dibb, Australian National University, *Senate Transcript 13 Sep 05*, p. 3.

36 Professor William Tow, Australian National University, *Transcript 9 Sep 05*, p. 7.

37 Australia Defence Association, *Submission 5*, p. 5.

disagreement best sums up the position taken in a number of submissions. ASPI stated:

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.³⁸

- 6.46 Future Directions International (FDI) provided additional insight into the potential for future tension with China from a US perspective when they stated:

Clearly China continues to emerge economically and also militarily. It would be fair to say that China's influence in the region and globally is growing commensurately. However, China has also, historically and today, not really demonstrated any hegemonic tendencies in the way some others have. China has been very clear about what it sees as its own territorial sovereignty, which of course includes the South China Sea, Taiwan and other places like that, but it has never seriously indicated any strategic hegemonic aspirations beyond that.

China will continue to become stronger. Its current incredible economic growth may well plateau for all sorts of reasons. It is really outstripping its capacity, and that will be a factor. This is in turn putting increasing strategic pressure on India and of course on Japan.³⁹

- 6.47 The general tone of submissions regarding the relationship between China, the US and Australia remains optimistic. Australian dialogue and trade with China and our close relationship with the US are unlikely to be in conflict. A Griffith University submission summarises this position:

...there is strong basis for optimism that Australia will continue to avoid an 'ANZUS' nightmare of having to make a choice between the US and China in a future regional crisis. Barring any such contingency, the core interests that have served as the glue for

38 Mr Hugh White, Director, Australian Strategic Policy Institute, 26 March 2004, *Transcript*, p. 50.

39 Mr Lee Cordner, Managing Director, Future Directions International, *Transcript*, 2 April 2004, p. 36.

sustained alliance ties between Australia and the US remain in place.⁴⁰

The Koreas

- 6.48 The Korean Peninsula represents one of the most likely locations for regional conflict. The increasingly unstable Democratic People's Republic of Korea (DPRK) Administration of Kim Jong Il has recently declared itself a nuclear power and remains reclusive and belligerent. However, the progress, albeit irregular, on peace talks between the DPRK with the Republic of Korea (ROK) has given cause for optimism in the population of the South. This in turn has led to pressure from the ROK's Roh Government toward the US, encouraging them to soften their hard line stance toward North Korea. At the same time the US military have restructured their posture on the peninsula. The US military justification for these changes is an increase in the technological capabilities of US forces in the region but it is reasonable to surmise that pressure from the Roh Government is also a factor in adjustments of the disposition of US forces on the peninsula.
- 6.49 For Australia, with our significant trade relationship with the ROK and historic ties dating back to the Korean War, tension on the Korean Peninsula is of significant concern for a number of reasons. Were the DPRK to develop or gain access to long range missiles, parts of Australia could be subject to the threat of nuclear attack, a prospect discussed in more detail in Chapter Five. More immediately however the threat of conventional military action on the peninsula would result in significant alliance pressure (whether real or implied) to join a US/ROK coalition. While air and maritime contributions would be valued it is likely such a coalition would also seek a significant contribution of ground forces, with a commensurate increase in the risk of casualties given the possible involvement of Nuclear, Biological and Chemical weapons. Tow and Trood state:

[If conflict occurs between the Koreas] The U.S. would expect Australia to make a major military contribution and for any Australian government to refuse such a commitment would be tantamount to New Zealand defecting from long-standing alliance deterrence strategy in the mid-1980s. ANZUS would be effectively terminated.⁴¹

40 Professor William Tow and Associate Professor Russell Trood, Griffith University, *Submission 8*, p. 13.

41 Professor William Tow and Associate Professor Russell Trood, Griffith University, *Submission 8*, p. 13.

- 6.50 Perhaps as a result of our trade and historical links with the ROK Australia has adopted a differing position from that of the US in relation to engagement and communications with DPRK. While the Australian Ambassador in the DPRK has been instructed to withhold presenting his credentials for one year to signal Australia's concern over the nuclear issue the presence of an Australian embassy has allowed Australia to play a role in facilitating the DPRK involvement in the 'Six Power Talks'. While these talks have recently been suspended as a result of North Korean intransigence they continue to offer the best path toward the possible future denuclearisation of the Korean peninsula.
- 6.51 Despite some progress on the important disarmament issue the DPRK represents a current asymmetric or unconventional threat to the region, including Australia. The US Government submission to the inquiry referred to US and Australian initiatives 'to curb North Korea's illicit activities.'⁴² Notable amongst these have been the interdiction of illicit drugs and counter proliferation activities. The drug interdiction activities focus on the movement of illicit drugs from North Korea which give indications of being a state sponsored means of raising foreign currency. Counter proliferation activities are designed to thwart prospects of WMD or related delivery systems transfers by Pyongyang to rogue states or international terrorists.

Japan

- 6.52 This inquiry comes at a time when 'Japan's security identity is undergoing a fundamental review.'⁴³ Japanese Self Defence Forces have deployed armed to Iraq, a deployment that has proven potentially controversial in Japan but marks an acceptance of global security responsibilities by the Japanese Government and a transformation in the US-Japan relationship which in the past was intended to 'cocoon' Japanese power. Japan remains risk-averse, but is increasingly self-confident in its international responsibilities. Security policy changes will continue to be made in small, but cumulative steps toward a more self reliant position.
- 6.53 Japan is America's largest single trading partner and is arguably seen by the US 'as their most important single relationship.'⁴⁴ This relationship is not in conflict with Australia's relations with either country. Instead

42 US Government, *Submission 7*, p. 5.

43 Professor William Tow and Associate Professor Russell Trood, Griffith University, *Submission 8*, p. 11.

44 Mr Hugh White, Director, Australian Strategic policy Institute, 26 March 2004, *Transcript*, p. 46.

Dr Robyn Lim argues 'the health or otherwise of the US-Japan alliance is what is really critical for our security.'⁴⁵

That alliance has provided Japan with nuclear and long range maritime security in ways that do not disturb Japan's neighbours...But if the US ever felt inclined to give up on Japan, that would have enormous implications for our own security...There is indeed some reason to worry that the North Korean nuclear and missile threat could rattle the US-Japan alliance. That's partly because North Korea's missiles can reach all parts of Japan, but cannot yet reach the continental US.⁴⁶

6.54 Dr Lim also submits that consideration of Japan's strategic position is inextricably linked with China.

These two great powers of East Asia have never hitherto been strong at the same time. And whereas China has strategic ambition, Japan has strategic anxieties. Both could have consequences for Australian security.⁴⁷

6.55 Dr Brendan Taylor, in evidence to a Senate References Committee described the tensions when he stated:

...because of the differing strategic outlooks and objectives of countries such as China and Japan which are still so divergent, there are still very real tensions there...Finally, while I think it is fair to say that the Chinese use of soft power in the South East Asia region has become significantly more adept over the past half decade or so and while its so called new diplomacy has become more adroit, in reality there still does exist a significant degree of fear and apprehension throughout South East Asia.⁴⁸

6.56 An incident in November 2004 highlights Japanese tension over Chinese intentions. The incident involved the passage of a Chinese submarine through a Japanese strait while still submerged. 'The submarine's refusal to travel on the surface while transiting a Japanese strait, as required by international law, was headline news in Japan.'⁴⁹ Perhaps as a result Japan's new Defence policy outline named China as a threat, along with China's quasi-ally North Korea.'⁵⁰

45 Dr Robyn Lim, Nanzan University, *Submission 13*, p. 11.

46 Dr Robyn Lim, Nanzan University, *Submission 13*, p. 11.

47 Dr Robyn Lim, Nanzan University, *Submission 13*, p. 6.

48 Dr Brendan Taylor, *Transcript Senate References 13 Sep 05*, p. 15

49 Robin Lim, *Rising China: Risk of miscalculation*, Defender Autumn 2005, p. 14.

50 Robin Lim, *Rising China: Risk of miscalculation*, Defender Autumn 2005, p. 14.

- 6.57 Sino Japanese tensions have escalated in 2005. The Chinese continue to raise the issue of Japanese atrocities in the lead up to and conduct of World War II. While the 'remember Nanjing' message is based on accurate history, the Chinese motivation for continually raising the issue appears to be more about the future relationship with Japan than the past. On the other hand Prime Minister Junichiro Koizumi's visit to the Yasukuni Shrine for Japan's 2.5 million war dead on 17 October 2005, his fifth since becoming Prime Minister, was a calculated gesture certain to increase tensions between Japan and both China and South Korea.
- 6.58 While Australian World War II veterans for many years harboured animosity toward Japan over the treatment of allied prisoners of war, time and reconciliation led by national icons, such as Sir Weary Dunlop, have largely removed this source of friction in Australia's relationship with Japan. Indeed General John Abizaid, Commander of US Central Command, when meeting with members of the Committee during the Committee delegation to the US, described his father's involvement in the Pacific Campaign of the Second World War and his understanding of the emotions that arose as a result of the conflict in the Pacific. General Abizaid expressed his admiration for the ability of the Australian Government and people to now establish strong ties with Japan to the extent that the Australian Army was currently protecting Japanese troops in the Al Muthanna Province of Southern Iraq.
- 6.59 Japan, the US and Australia now appear to share considerable economic and strategic interests. The next obvious step for the three countries is to consider whether a closer degree of strategic cooperation is appropriate, particularly in relation to the emerging China. To achieve this heightened level of cooperation the US Secretary of State and Australia's Foreign Minister Downer announced in May 'that the trilateral strategic dialogue between Australia and the US in Japan will now be upgraded to a full ministerial level of consultations.'⁵¹
- 6.60 The views of Australia's academic strategists are divided over the value of such a relationship. In evidence to the Senate References Committee into Australia's relationship with China, Professor James Cotton stated:
- To come to the Japan issue and cooperation amongst those parties in the region who have other kinds of relationships, I think we need to remember that there are still severe constitutional restraints on Japan's freedom of action. There really is not yet a US-Japan security alliance. There is a relationship where Japan agrees to be protected by the United States, and the United States agrees to protect Japan. Anything further than that is extremely
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51 Professor William Tow, Australian National University, *Transcript 9 Sep 05*, p. 3.

difficult to organise and often requires specific, ad hoc legislation—even, for example, for Japanese participation in Iraq. So the possibilities of turning that kind of relationship into anything broader are, I think, small.⁵²

- 6.61 However, despite steady security policy change in Japan neither the US or Japan has seen the need to fundamentally change the nature of their alliance. And given the uncertainties of the future trends in China and the Korean Peninsula, the alliance will continue to form the basis of Japanese and US interests for the foreseeable future. Australian interests are well served by the current US-Japan alliance. The steady move to a more even distribution of defence responsibility between the two global economic powers is not seen as a concern by those making submissions to the inquiry.

India

- 6.62 India is the world's largest democracy and at the same time is a nuclear power and an increasingly capable maritime power. Indian conflict with its neighbours Pakistan and China has been a source of instability in Asia for much of the second half of the 20th Century. During this period perceived Indian alignment with the Soviet block caused some tension between India and the US. Despite this tension, relations between India and Australia have been sound, reflecting shared Commonwealth values.
- 6.63 The emergence of India as a nuclear power caused some friction in Australia, particularly the 1998 nuclear tests. A brief suspension of military exchanges resulting from the nuclear tests has since been lifted. Despite the ongoing development of the Indian Navy as a genuine 'blue water' capability, evidenced by the purchase and refurbishment of former Soviet aircraft carriers, there is no evidence that India has hegemonic ambitions that will threaten stability further south.
- 6.64 The US India Defence relationship was characterised to the Committee delegation by the US Defence officials at the Pentagon, as the 'biggest mover in US foreign policy.' It has taken some time but India has been 'de-hyphenated' from Pakistan (the India - Pakistan relationship) and is now being considered as a significant ally in its own right. The US officials clearly understood the importance of India as the world's largest democracy and as also containing one of the largest moderate Muslim populations in the world.
- 6.65 While India is clearly worthy of individual attention from the US the challenge for US officials is to develop the bilateral relationship with India
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52 Professor James Cotton, Australian National University, *Senate Transcript 13 Sep 05*, p. 16.

while remaining a partner with Pakistan in the Global War on Terror. While progress has been made, most officials in the US regard the establishment of this balance as a work in progress.

- 6.66 While India may have been “de-hyphenated” from Pakistan, many officials now see India as being a balance to an emerging China. The strengthening US relationship with India was described by the SSI as being part of an informal process of channelling China’s power. US economic interests in both India and China were acknowledged as being too important for overt or military containment, but subtle and less militant shaping were assessed as offering significant long term benefit.
- 6.67 While US strategic planners may consider India as a benign foil for an emerging China, India’s own history with China is a source of tension. The 1962 Chinese invasion of India across the shared Himalayan border was a humiliating defeat for India and is likely to be a factor in the Indian view of Chinese strategic expansion.
- 6.68 RAND also offered some insight into the Indian perspective of the impact of the emergence of Chinese economic power. The delegation was briefed that Indian officials believed China’s economic success has been a source of great confidence and motivation for India. India, with its highly educated work-force, regards itself as better placed to compete in the global market place than most sectors of the Chinese economy.

Conclusion

Benefits of US Engagement in Asia Pacific

- 6.69 This chapter has undertaken to summarise the inquiry findings on a particularly complex series of strategic issues. Broadly it sought to codify the benefits and risks to Australia of US engagement in the Asia Pacific region and similarly report the benefits and risks to Australia of perceptions of our alliance with the US.
- 6.70 Despite the scope of the strategic issues involved, the Committee is able to conclude that US engagement in the Asia Pacific is regarded as a positive outcome by the majority of Australians and importantly it appears to be similarly welcomed by the majority of Governments in the region. Japan, Thailand, South Korea and the Philippines are bilateral alliance partners with the US in their own right and both India and Singapore have commenced ‘Strategic Framework’ discussions with the US. The extent of these arrangements with Asian nations also suggests that regional leaders may be far more pragmatic than some commentators report and that

comments that Australia's alliance with the US somehow distances Australia from Asia are also false.

- 6.71 Evidence to the inquiry indicates that not all groups agree with this assessment. Groups such as the MAPW and the WILPF argue that increased emphasis on the creation of multi-lateral organisations could provide the same level of security for the region and balance the emergence of any single regional power.

China

- 6.72 The inquiry has been conducted in parallel with considerable debate about the role of an emerging China in regional and global affairs. China's strategic ambitions over the China Sea have caused deep concern in the Asia Pacific. The modernisation of the Chinese military exacerbates these concerns, particularly as more modern Chinese forces are able to threaten Taiwan and potentially delay or disrupt US defence of the island.
- 6.73 At the same time Chinese economic growth has fuelled the regional economy and underpinned prosperity in a number of countries, including Australia. The two views of China expressed to the inquiry describe China as either the great threat to regional security or the great economic prize for the region and the world. Evidence to the inquiry, and informed comment amongst regional strategists, is divided on which view should take precedence. The Committee however has formed the view that conflict with China is not likely. The relationship between China and the US differs markedly from the examples of clashing powers in the last century. The emergence of competing powers in Europe for example, shared common borders and had centuries of competition over disputed territory. China and the US are separated by an ocean and have little shared history. On the other hand each stand to share in the benefits of continued economic prosperity should peaceful coexistence continue.
- 6.74 Australia too stands to benefit greatly from a peaceful and prosperous relationship between the US and China. The Committee accepts the views of those who gave evidence to the inquiry stating that Australia has the potential to act as a mediator in any future periods of tension between its long term ally and its regional trading partner. While this may sound simple, global strategic realities are such that periods of tensions between powers rarely have simple solutions. Given that tension is most likely to arise over a dispute involving the future of a free and democratic Taiwan, Australia may be drawn closer to one side of the argument than the other by shared values and history, as well as by the formal terms of our alliance with the US.

- 6.75 The Committee therefore supports the 'studied ambiguity' of Australia's policy toward China and Taiwan. Australian influence with both major powers has the potential to be of more use in maintaining peace in the region than the direct offer of any particular military capability to the potential deterrent package aimed at preventing Chinese aggression toward Taiwan.

Indonesia

- 6.76 Australia has a key role to play in supporting the development of Indonesian democracy. The US has been constrained in its ability to support the development of the security force structures in the world's third largest democracy by restrictions imposed by the US Legislature. As a result, the US values the relationship Australia has established with the Government of President Susilo Bambang Yudhoyono, and ongoing practical measures between Australia and Indonesia, particularly at the military level.
- 6.77 US officials, in discussions with members of the Committee, described how important Australia's bilateral relations with its regional neighbours are to stability in the Asia Pacific region, particularly as they can be used to increase the level of understanding of regional issues within America. The Australian leadership and facilitation of western access to Aceh in the aftermath of the Boxing Day Tsunami have demonstrated this regional leadership position to a wide audience in the US and highlighted the retarding effect of US restrictions on interaction with Indonesia.
- 6.78 The Committee supports ongoing Australian Defence and Federal Police engagement with Indonesia. Such engagement allows the transfer of Australian understanding of the primacy of Government over the security forces and in turn allows the Australian agencies to enhance their understanding of Indonesia, its people and culture.
- 6.79 During 2005 the US announced a series of incremental steps to allow increased interaction between the US and Indonesian security forces. The Committee notes that the increased US military access to Indonesia is based on a waiver by the Secretary of State:

[The US Secretary of State] has determined that it is in the national security interests of the United States to waive conditionality pertaining to Foreign Military Financing (FMF) and defense exports to Indonesia...

The decision will allow the United States to resume selected areas of military assistance for Indonesia. It continues the process of military reengagement with Indonesia that included the Secretary's decision to resume International Military Education

and Training (IMET) in February, and her decision to resume non-lethal Foreign Military Sales (FMS) in May.

In resuming Foreign Military Financing, the Administration plans to provide assistance for specific military programs and units that will help modernize the Indonesian military, provide further incentives for reform of the Indonesian military, and support U.S. and Indonesian security objectives, including counterterrorism, maritime security and disaster relief. The U.S. remains committed to pressing for accountability for past human rights abuses, and U.S. assistance will continue to be guided by Indonesia's progress on democratic reform and accountability.⁵³

- 6.80 The Committee supports the increased US engagement with the Indonesian military. Increased interaction will further enhance Indonesia's capacity to defeat both terror groups and pirates operating from Indonesian territory. Training interaction will also continue the transfer of democratic standards of civilian control and accountability for the military.

53 US Department of State, *Indonesia National Security Waiver / Foreign Military Financing*, as quoted <http://www.state.gov/r/pa/prs/ps/2005/57272.htm>, accessed on 24 Nov 05.

Australian defence industry development

Introduction

- 7.1 Defence 2000 describes Australian industry as ‘a vital component of Defence capability, both through its direct contribution to the development and acquisition of new capabilities and through its role in the national support base.’¹ The Government’s objective is ‘to have a sustainable and competitive defence industry base, with efficient, innovative and durable industries, able to support a technologically advanced [Australian Defence Force] ADF.’²
- 7.2 The then Minister for Defence, the Hon John Moore, MP, further clarified the Government’s approach to Australian Defence industry when he stated:
- Government would continue with its policy of extracting the best possible outcomes for Australian taxpayers. We will not limit the ADF to purchases from Australian industry alone, nor will we pay unreasonable premiums for domestically produced equipment and services. However, a significant amount – at least half – of new investment is expected to be spent in Australia.³
- 7.3 The Government has made it clear, therefore, that Australia’s defence industry must do more than survive. It must also be efficient and cost competitive.

1 Commonwealth of Australia, *Defence 2000 – Our Future Defence Force*, 2000, p. 98.

2 Commonwealth of Australia, *Defence 2000 – Our Future Defence Force*, 2000, p. XV.

3 Hon John Moore, MP, Minister for Defence, *Media Release, New Opportunities for Australian Industry*, 6 December 2000.

7.4 Submissions to the inquiry supported the need for a strong and vibrant Australian defence industry. They have also noted that maintaining this industry is increasingly difficult, given the relatively small size of the ADF and thus the Australian domestic market. It is broadly agreed that our close strategic relationship with the US should give Australian companies better access to the US military market, allowing them to achieve economies of scale not possible in Australia alone. This chapter will review access and impediments to the US defence market and use the Joint Strike Fighter (JSF) as a case study of current progress.

Australian Industry Capability Requirements

7.5 The Australian market for defence equipment is not large enough to sustain a fully self sufficient suite of Defence industry capabilities. Defence policy for Australian industry therefore encourages the development and maintenance of critical industry capabilities that meet Australia's strategic priorities for the longer-term development and support of Australian defence capability and military self-reliance.

7.6 Defence described the current priority for the development of Defence industry as follows:

Recognising that Australian demand is insufficient to maintain a full suite of defence industry capabilities, the support requirement is focussed on:

- the capacity to repair and maintain equipment, including the ability to handle the additional maintenance requirements which would arise in conflict;
- the capacity to modify and adapt equipment to meet the demands of Australia's environment and strategic circumstances, and to upgrade those assets throughout their service lives; and
- the capacity to assist in the development of new capabilities.⁴

7.7 Defence continued:

When it is feasible, competitive, and cost effective over the life cycle of the equipment – or when it is necessary for operational or strategic reasons (such as insuring reliable supply) – Defence does acquire Australian designed, developed and/or produced equipment and systems. The acquisition of such equipment and systems contributes to Australia's defence industry skills' base.⁵

4 Defence, *Submission 20*, p. 16.

5 Defence, *Submission 20*, p. 16.

Access to the US defence market

7.8 While the Australian market for Defence equipment is insufficient to develop and maintain a complete suite of industry capabilities, the US market operates at the other end of the sales spectrum.

7.9 The US defence market is significant. The Department of Industry, Tourism and Resources (DITR) reported that the US is 'poised to spend more on defence in 2003 than the next 15-20 biggest spenders combined.'⁶

7.10 However the Department went on to describe the realities of the market as they relate to potential Australian exporters when it stated:

This perspective indicates that the US military market is large, suggesting great opportunities for exporters, but also that this market is well supplied with domestic suppliers underpinned by very significant R&D [Research and Development] expenditures, indicating that exporters should not be complacent about the difficulties of entering the market.⁷

7.11 In addition to these market forces Defence described a range of regulatory impediments to Australian industry participation. Defence stated:

US export controls operate within a strictly enforced legislative and regulatory framework provided by the US Arms Export Control Act and the International Traffic in Arms Regulations (ITAR) for defence goods and services; and the Export Administration Act and the Export Administration Regulations (EAR) for dual-use and some commercial goods. Under this legislative and regulatory framework, US export control processes are applied equally to all export destinations independent of government to government relationships.⁸

7.12 Australian companies can access the US military market in two ways: through direct sales to the US Government, or by selling to US firms as part of their global supply chain. Australian companies have been successful in both cases. In recent years we have seen penetration of the 'direct to Government' sales route by the Australian manufacturers of fast catamaran transport ships and penetration of supply chains by a number of companies gaining selection for JSF contracts.

6 Department of Industry, Tourism and Resources, *Submission 14*, p. 2.

7 Department of Industry, Tourism and Resources, *Submission 14*, p. 2.

8 Department of Defence, *Submission 20*, p. 15.

Impediments to access

7.13 While our close strategic relationship with the US is a significant asset, the challenges to participation in the US defence market should not be underestimated. DITR state:

The challenges to participation in the US defence market include the US export licensing process and normal commercial difficulties of international business, such as physical distance, time differences, information costs, risk perceptions and overcoming incumbency advantages.⁹

7.14 The majority of these impediments can and are being overcome by determined Australian companies in a range of trade areas. However the US export licensing process is a specific impediment to Australian industry seeking opportunities in defence related industries and projects. The export licensing process 'controls the export of information from US companies to foreign companies'¹⁰ for national security reasons.

7.15 Submissions did, however, acknowledge the US right to maintain its strategic position by making security decisions in its national interest. Defence stated:

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.¹¹

7.16 US protection of defence technology has two components. The first of the two components seeks to ensure US forces never have to face technology developed by US companies. Defence acknowledges the importance of this component when they stated:

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

9 Department of Industry, Tourism and Resources, *Submission 14*, p. 7.

10 Department of Industry, Tourism and Resources, *Submission 14*, p. 7.

11 Mr Shane Carmody, Deputy Secretary, Department of Defence, 26 March 2004, *Transcript*, pp. 13-14.

close ally of the US, we of course seek access to that technology, but it is not always available.¹²

- 7.17 Defence identified this type of intellectual property as being of significant importance to Australia as well as the US. In some cases it is necessary for Australia to customise US equipment for Australian conditions or threat profiles. Defence stated:

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.¹³

- 7.18 The second element of protection seeks to ensure the success of companies and capabilities deemed essential to US national interest, such as ship building capacity. The US Government Jones Act, for example, is intended to protect strategic industries. Defence describes the impact of this type of legislation:

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.¹⁴

- 7.19 The other specific example of restrictive US licensing processes quoted in submissions to the inquiry relate to the International Traffic in Arms Regulations (ITAR). These regulations control access to such things as the design of a relevant aircraft part, which an Australian company might need if it was to make a successful bid to produce that part for a US company. DITR explained the impact of ITAR:

12 Mr Edwin Ho, Acting Director General Industry Policy, Department of Defence, 26 March 2004, *Transcript*, p. 13.

13 Air Vice Marshal Kerry Clark, Head Capability Systems Division, Department of Defence, 26 March 2004, *Transcript*, p. 13.

14 Mr Edwin Ho, Acting Director General Industry Policy, Department of Defence, 26 March 2004, *Transcript*, p. 17.

There is the additional problem of the ITAR export licensing arrangement, which is a sort of regulatory barrier. Developmental projects are not extremely well planned with a clear and unchangeable plan. Things change and opportunities crop up, and the ITAR process might prevent us from taking advantage of those opportunities, so it is an extremely tough game. So far a bunch of companies have got small contracts. Most of them think that they are going to be able to work those through to the next phase.¹⁵

7.20 DITR explained that procedurally ITAR required significant adjustment and effort by Australian companies. DITR stated:

Another level of this sort of export licensing arrangement is that the international trade in arms regulations of the United States are quite cumbersome. They impose a requirement for firms to have a so-called technical assistance agreement so that if they want information about a part that they want to bid on they need to be cleared to be able to get the design for that part. That requires that the United States company puts this technical assistance agreement process through the US government. That means the Australian company needs to provide information. So there has been a large learning experience by the Australian companies in what sort of information they need to provide and how they need to make sure of that.¹⁶

7.21 Australia is in the process of seeking a treaty level ITAR exemption from the US. Defence described progress on this issue when they stated:

Nevertheless, the closeness of Australia's relationship with the Executive level of the US Government is reflected in a number of important US export control initiatives. In mid 2000, Australia and the UK were offered an exemption from the requirement for US licenses that are normally required for certain unclassified US defence exports. Canada is the only country to currently enjoy the benefits of such an exemption. Although agreements to underpin this exemption have been held up in the Congress since 2003, the Congress recently included a requirement in the 2005 National Defense Authorization Act that the State Department should expedite defence export licenses for Australia (and the UK). We

15 Mr Mike Lawson, General Manager Industries Branch, Department of Industry Tourism and Resources, 2 April 2004, p. 5.

16 Mr Mike Lawson, General Manager Industries Branch, Department of Industry Tourism and Resources, 2 April 2004, p. 3.

understand the State Department is working to define the Congress' requirements and how they might be met.¹⁷

- 7.22 DITR explained that 'the Canadian experience suggests that an ITAR exemption does not apply to developmental aircraft such as the JSF.'¹⁸

Recommendation 6

The Committee recommends that the Australian Government make every effort to obtain exemption from ITAR from the United States Government in respect of defence goods and services purchased from the United States for Australian Defence Force purposes.

A case study – the JSF program

- 7.23 The US JSF program is expected to result in the production of between 2,000 and 5,000 aircraft for use by the US military and a number of allies, including Australia. Dr Rod Lyon and Ms Lesley Seebeck regard the JSF project as 'an indication of the likely future direction of major platform development.' They stated:

That project, thus far, has been characterised by lean manufacturing technologies, networked development and burden sharing, and a multi user paradigm...Burden sharing with allies helps lower the unit cost to the US, but also buys a network of allies with similar capability. Those allies receive an advanced capability they could not otherwise hope for, interoperability with the US, and R&D [Research and Development] and technical opportunities for their own economies.¹⁹

- 7.24 Australian companies are actively pursuing engagement in this program. Where in the past they may have sought to supply Australian aircraft with components they are now seeking niche capabilities in the broader production program. DITR commented that 'this project has been welcomed by the [Australian] industry as providing unprecedented access to business opportunities in the US defence field.'²⁰

17 Department of Defence, *Submission 20*, p. 15.

18 Department of Industry, Tourism and Resources, *Submission 14*, p. 7.

19 Dr Rod Lyon and Ms Lesley Seebeck, University of Queensland, *Submission 4*, p. 8.

20 Department of Industry, Tourism and Resources, *Submission 14*, p. 9.

- 7.25 The Committee delegation to the US visited Lockheed Martin, prime contractor for the JSF, and was briefed on Australian Industry participation in the program by Mr Abhay Paranjape, the JSF International Program Manager. Mr Paranjape briefed the delegation that the allied industry participation program was a significant opportunity for the aerospace industry in all partner countries. He explained, however, that the program did not involve any automatic industry offsets based on national participation. Each business competing for work on the program must win the work on merit in a competitive process.
- 7.26 The Australian Government decided in 2002 to participate in the System Development and Demonstration (SDD) phase of the JSF program, having identified the aircraft as a potential replacement for the FA18 and the F111. The \$AUD 200 million Australian Government contribution to the program meant that Australia was regarded as a Tier 3 partner. The Tier 1 partners are the US and UK, responsible for the majority of the main assemblies that comprise the aircraft, and the largest potential operators of the JSF. Tier 2 partners include Italy and Holland, each able to bid for significant sub-systems. Industries from Tier 3 partner countries are able to bid on contracts for the sub systems that comprise the Tier 1 and 2 assemblies.
- 7.27 Australian companies have been very successful in winning business in this very competitive environment. Lockheed Martin briefed the Committee delegation that current Australian business, in the prototyping or low rate production phase amounts to \$US 210 million. The Minister for Defence announced that this business is currently being shared by 18 Australian companies. Senator Hill stated:
- Since the first Australian JSF contract was announced in June 2003, a total of 18 Australian companies have won work that is expected to lead to substantial opportunities in the production, sustainment and follow-on development phases of the program.²¹
- 7.28 If the Australian firms continue to perform at their current high level and Australia commits to purchasing the aircraft, Lockheed Martin expects these contracts to expand significantly in the Production, Sustainment and Follow-on Development (PSFD) phase of the project in which up to 4000 aircraft are expected to be made. The Australian Government has announced that it is progressing toward a decision about whether Australia will purchase up to 100 of these aircraft. Senator Hill stated:

21 Minister for Defence Media Release, *Early Success Leads to More JSF Work for Australian Companies*, 15 March 2005.

...negotiations were expected to lead to a cooperative agreement in late 2006 with the Government to make a decision in aircraft purchases in 2008.²²

- 7.29 Lockheed Martin reported to the Committee delegation that they have been particularly impressed by the innovation and quality of the Australian companies who have now been granted access to contribute to the digital design of the aircraft. They have also been impressed by the collaborative or team Australia approach used by the Australian Government to group like companies as allies rather than enemies on the project. As a result Australian companies have a very high take up rate on bids when compared with peer nations. Of the \$US 846 million in projects available to Tier 3 partners Australian companies have had the ability to bid against \$US 433 million in opportunities. Lockheed Martin briefed the delegation that the \$US 210 million achieved against the opportunities available has been the highest amongst contributing countries.
- 7.30 One of the most innovative aspects of Australia's involvement in the program is participation in the state of the art digital design and manufacturing systems used on JSF. The multi-national team building the aircraft, including a number of Australian companies, share a digital design data-base for the aircraft. Collaborative design takes place in this virtual or internet based 'design room', allowing precise input from all agencies as the aircraft takes shape. This 24 hour process, called 'follow-the-sun' engineering, includes Australian design inputs during the Australian working day which are then built upon during US based considerations the following day. Melbourne based GKN Aerospace Engineering is one of the Australian companies doing JSF design works using the design room concept.
- 7.31 A significant outcome of this digital design function has been the increased accuracy of the manufacturing process. Assembly time has more than halved and error rates in fabrication are also less than half of that achieved on legacy aircraft. These results are projected to allow the manufacturers to meet affordability expectations and may accelerate delivery schedules once production of service aircraft commences. Projected production costs are expected to be approximately equal to the current cost of the F16. The Minister for Defence stated:
- Lockheed Martin is reporting 'huge' efficiency gains in their manufacturing results on the first aircraft compared to current-generation aircraft programs, citing an 86% reduction in assembly non-conformances, a 44% reduction in manufacturing defects and

22 Minister for Defence Media Release, *New Opportunities for Australian Industry with New Phase of JSF Program*, 16 May 2005.

a 22% improvement in manufacturing time for composite components.²³

7.32 The Minister continued:

Importantly, Australian companies are playing a significant part in achieving these results. Almost 1000 parts on this ... aircraft were designed in Australia by Melbourne-based GKN Aerospace Engineering which equates to approximately 20% of all structural parts on the aircraft.²⁴

7.33 Australian access to the JSF program appears to reflect Australia's strong strategic relationship with the US. DITR stated:

As a potential JSF customer, the Australian Government has been able to open doors for Australian companies. A number of SMEs [Small to Medium Enterprises], as well as larger companies, have indicated that they have gained considerably more access than previously to senior people and to opportunities through Government facilitation, and this has been vital to winning work.²⁵

7.34 In addition, coordination and facilitation by Government Departments appears to be generating benefits. DITR stated:

The creation of Industry Capability Teams (ICTs), facilitated by staff from the Defence Materiel Organisation (DMO) and the DITR, has promoted a "Team Australia" approach that has enabled firms to understand their major competition is overseas rather than down the road. The ICTs have facilitated various teaming arrangements amongst SMEs and between SMEs and larger Australian companies that have allowed firms to win work that they would not otherwise have won.²⁶

7.35 Unfortunately, the Australian defence industry involvement in the JSF program is not always a positive experience. Despite having a pre-eminent place amongst US allies, Australian companies still face political pressures competing in the US. ASPI stated:

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

23 Minister for Defence Media Release, *Power On the first JSF Aircraft*, 8 September 2005.

24 Minister for Defence Media Release, *Power On the first JSF Aircraft*, 8 September 2005.

25 Department of Industry, Tourism and Resources, *Submission 14*, p. 9.

26 Department of Industry, Tourism and Resources, *Submission 14*, p. 9.

commercial or even a technological or even a military level playing field.²⁷

- 7.36 Finally despite all the discussion of the JSF project as a leading innovator in the type of global cooperation sought by Australian companies it is not clear that the prime contractor is overly supportive of this approach. DITR stated:

While the top management of Lockheed Martin are aware that it is important to engage with competitive companies in the international partner countries, such as Australia, the people tasked with the job of actually producing the aircraft under an extremely tight schedule are less convinced of the benefits. There are significant challenges for them to engage with foreign companies, including Australian companies.²⁸

Conclusion

- 7.37 Evidence to the inquiry has been supportive of the need to maintain an Australian defence industry as a vital component of defence capability. There has been no disagreement with the Government view that these companies must also be efficient and cost competitive. Almost all submissions have agreed that, in order to survive, Australian companies require access to the US military market, the largest in the world.
- 7.38 The JSF program, one of the largest military procurement projects in history, serves both as an example of what can be achieved by Australian industry in the face of the most rigorous competition, and also of the restrictions and frustrations that industry may face along the way. The collaborative approach encouraged by the Department of Defence has been recognised in Australia and by the US prime contractor as a particular strength. This type of cooperation between the Defence Materiel Organisation and Australian industry is to be commended.
- 7.39 Impediments to access to the US Defence market, larger than the Defence markets in the next 15 to 20 countries combined, are significant. Some are the market pressures faced by all Australian companies seeking to do business in the US – such as transport costs, distance, time differences and overcoming incumbency advantages – while others are imposed by US Legislation. US Legislation is intended primarily to protect US security by ensuring the US does not end up having to fight against its own technology when it leaks or is sold to third parties. Most submissions

27 Mr Hugh White, Director, Australian Strategic Policy Institute, *Transcript*, p. 66.

28 Department of Industry, Tourism and Resources, *Submission 14*, p. 9.

acknowledge this US right to protect its security by guarding access to military technology and information.

7.40 However other US Legislation appears to be designed to protect inefficient US industries, an obvious example of which is the US ship building industry. Innovative Australian companies, like Austal Ships of Western Australia or Incat of Tasmania, face significant hurdles in reaching their customers in the US military.

7.41 The consensus in the evidence to the Committee appears to be that Australia's long term status as a key US ally should entitle the removal of all but the most important of these restrictions. This view appears to be shared by both the US military and the US Executive Government, many of whom have indicated they are delighted with superior products including Australian fast ferry designs and the Bushmaster vehicles. More, however, needs to be done to influence the US Congress to encourage the removal of impediments to Australian companies seeking to sell their products to the US military. To put the current position in perspective Mr Shane Carmody from Defence stated:

We operate at the highest level with the United States. I think Australia, the United Kingdom and the United States are operating at the highest levels of war fighting that are possible. We will not get everything from the United States, and we do not expect to, but we do think that we are further ahead than anyone else.²⁹

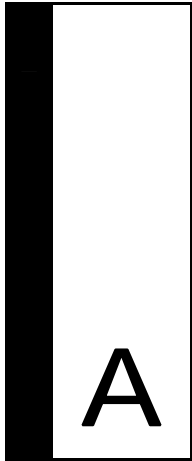
7.42 The Committee notes that it is currently undertaking three other inquiries which also examine regional strategic implications for Australia's defence capability. The first is an inquiry into Australian Defence Force regional air superiority. The second is an inquiry into the economic, social and strategic trends in Australia's region and the consequences for our defence requirements. The third is an inquiry into Australia's relationship with India as an emerging world power, with particular reference to the defence relationship and the strategic possibilities for both nations resulting from increasing globalisation and regional imperatives. Further information on these inquiries can be obtained from the Committee's website.³⁰

29 Mr Shane Carmody, Department of Defence, *Transcript 9 September 2005*, p. 33

30 <http://www.aph.gov.au/house/committee/jfadt/index.htm>

Senator Alan Ferguson

Chairman



Appendix A – List of Submissions

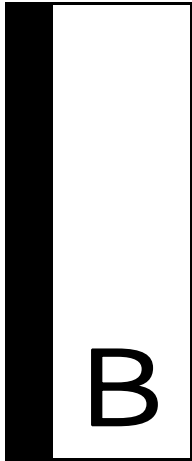
Submission received during the 40th Parliament

Submission No	Individual/Organisation
1	The Returned and Services League of Australia Limited
2	Dr Carl Ungerer, University of Queensland
3	Future Directions International (FDI) Propriety Limited
4	Dr Rod Lyon and Ms Lesley Seebeck, University of Queensland
5	Australia Defence Association
6	Department of Defence
7	United States Government
8	Professor William Tow and Associate Professor Russell Trood, Griffith University
9	Dr Carlo Kopp
9.1	Dr Carlo Kopp - supplementary submission
9.2	Dr Carlo Kopp - supplementary submission
10	Dr Ron Huisken, Australian National University
11	Mr Peter Jennings, Australian Strategic Policy Institute

Submission No	Individual/Organisation
12	Queensland Government
13	Dr Robyn Lim, Nanzan University
14	Department of Industry, Tourism and Resources
14.1	Department of Industry, Tourism and Resources – supplementary submission
15	Mr Peter Goon
16	Medical Association for Prevention of War, Australia
17	Women's International League for Peace and Freedom
18	United Nations Association of Australia Incorporated

Submissions Received During the 41st Parliament

19	Air Power Australia
20	Department of Defence
21	Women's International League for Peace and Freedom
22	Medical Association for Prevention of War, Australia
23	Department of Foreign Affairs and Trade
24	Department of Defence – Response to Questions on Notice



Appendix B – The ANZUS Treaty

Australian Treaty Series 1952 No 2
DEPARTMENT OF EXTERNAL AFFAIRS

CANBERRA

**Security Treaty between Australia, New Zealand and the United States of
America [ANZUS]**

(San Francisco, 1 September 1951)

Entry into force generally: 29 April 1952

AUSTRALIAN TREATY SERIES

1952 No. 2

Australian Government Publishing Service

Canberra

(c) Commonwealth of Australia 1997

SECURITY TREATY BETWEEN AUSTRALIA, NEW ZEALAND, AND THE UNITED STATES OF AMERICA

THE PARTIES TO THIS TREATY,

REAFFIRMING their faith in the purposes and principles of the Charter of the United Nations and their desire to live in peace with all peoples and all Governments, and desiring to strengthen the fabric of peace in the Pacific Area,

NOTING that the United States already has arrangements pursuant to which its armed forces are stationed in the Philippines, and has armed forces and administrative responsibilities in the Ryukyus, and upon the coming into force of the Japanese Peace Treaty may also station armed forces in and about Japan to assist in the preservation of peace and security in the Japan Area,

RECOGNIZING that Australia and New Zealand as members of the British Commonwealth of Nations have military obligations outside as well as within the Pacific Area,

DESIRING to declare publicly and formally their sense of unity, so that no potential aggressor could be under the illusion that any of them stand alone in the Pacific Area, and

DESIRING further to coordinate their efforts for collective defense for the preservation of peace and security pending the development of a more comprehensive system of regional security in the Pacific Area,

THEREFORE DECLARE AND AGREE as follows:

Article I

The Parties undertake, as set forth in the Charter of the United Nations, to settle any international disputes in which they may be involved by peaceful means in such a manner that international peace and security and justice are not endangered and to refrain in their international relations from the threat or use of force in any manner inconsistent with the purposes of the United Nations.

Article II

In order more effectively to achieve the objective of this Treaty the Parties separately and jointly by means of continuous and effective self-help and mutual aid will maintain and develop their individual and collective capacity to resist armed attack.

Article III

The Parties will consult together whenever in the opinion of any of them the territorial integrity, political independence or security of any of the Parties is threatened in the Pacific.

Article IV

Each Party recognizes 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.

Any such armed attack and all measures taken as a result thereof shall be immediately reported to the Security Council of the United Nations. Such measures shall be terminated when the Security Council has taken the measures necessary to restore and maintain international peace and security.

Article V

For the purpose of Article IV, an armed attack on any of the Parties is deemed to include an armed attack on the metropolitan territory of any of the Parties, or on the island territories under its jurisdiction in the Pacific or on its armed forces, public vessels or aircraft in the Pacific.

Article VI

This Treaty does not affect and shall not be interpreted as affecting in any way the rights and obligations of the Parties under the Charter of the United Nations or the responsibility of the United Nations for the maintenance of international peace and security.

Article VII

The Parties hereby establish a Council, consisting of their Foreign Ministers or their Deputies, to consider matters concerning the implementation of this Treaty. The Council should be so organized as to be able to meet at any time.

Article VIII

Pending the development of a more comprehensive system of regional security in the Pacific Area and the development by the United Nations of more effective means to maintain international peace and security, the Council, established by Article VII, is authorized to maintain a consultative relationship with States, Regional Organizations, Associations of States or other authorities in the Pacific Area in a position to further the purposes of this Treaty and to contribute to the security of that Area.

Article IX

This Treaty shall be ratified by the Parties in accordance with their respective constitutional processes. The instruments of ratification shall be deposited as soon as possible with the Government of Australia, which will notify each of the other signatories of such deposit. The Treaty shall enter into force as soon as the ratifications of the signatories have been deposited.[\[1\]](#)

Article X

This Treaty shall remain in force indefinitely. Any Party may cease to be a member of the Council established by Article VII one year after notice has been given to the Government of Australia, which will inform the Governments of the other Parties of the deposit of such notice.

Article XI

This Treaty in the English language shall be deposited in the archives of the Government of Australia. Duly certified copies thereof will be transmitted by that Government to the Governments of each of the other signatories.

IN WITNESS WHEREOF the undersigned Plenipotentiaries have signed this Treaty.

DONE at the city of San Francisco this first day of September, 1951.

FOR AUSTRALIA:

[Signed:]

PERCY C SPENDER

FOR NEW ZEALAND:

[Signed:]

C A BERENDSEN

FOR THE UNITED STATES OF AMERICA:

[Signed:]

DEAN ACHESON

JOHN FOSTER DULLES

ALEXANDER WILEY

JOHN J SPARKMAN

[\[1\]](#) Instruments of ratification were deposited for Australia, New Zealand and the United States of America 29 April 1952, on which date the Treaty entered into force.