



Submission No 20

Inquiry into Australia's Defence Relations with the United States

Organisation: Department of Defence

Contact Person: Mr Cameron Darragh
Assistant Director – Alliance Policy
Americas Section
International Policy Division

Address: R1-5-C111
Department of Defence
CANBERRA ACT 2601



Australian Government

Department of Defence
Strategy Group

DEPARTMENT OF DEFENCE SUBMISSION

RESPONSE TO ISSUES PAPER

**JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND
TRADE INQUIRY INTO AUSTRALIA'S DEFENCE RELATIONS
WITH THE UNITED STATES**

MAY 2005

2.30 The committee seeks additional comments on the following matters:

- **There is a perception that Australia, in its alliance with the US, does not exercise sufficient independence and is acquiescent to US strategic policy.**
 - **Is this a major concern and to what extent does it undermine Australia’s standing in the region?**
- **What should Australia do, if anything, to demonstrate that it exercises sufficient independence in its alliance relationship with the US?**
- **What can be done to increase Australian access to and influence in key decision-making forums in Washington?**

The extent to which Australia aligns itself with the US position on a given strategic issue is a decision for Government. Defence is alert to the risk that Australia’s position may be misunderstood or misrepresented, and, in close cooperation with the Department of Foreign Affairs and Trade, actively engages with regional governments to counter incorrect perceptions. This engagement takes various forms, including active representation by our Embassies and High Commissions, including formal briefings and presentations, and bilateral and multilateral meetings.

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. We seek to maintain a high level of technical interoperability with the US. But this does not preclude us making capability and value-for-money decisions with acquisitions. The Tiger helicopter and the air to air refuelers are recent examples of non-US acquisitions.

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.

2.38 The committee seeks additional comments on the following matters:

- **Is there a need to increase public knowledge of the value and importance of the US alliance?**
 - **If yes, what measures can the Government take to increase public knowledge of the value and importance of the US alliance?**

We certainly cannot be complacent about public support for the Australia-US alliance. Australian Governments have consistently highlighted the strategic value of the US alliance and will continue to do so. The alliance has been a central element, in one way or another, of the public information provided by governments on Australian defence and strategic policies. Defence has a role to play in assisting government, consistent with its particular policy on Australia's approach to the alliance relationship, to communicate the value of the alliance and to assist the public's understanding and knowledge of it.

One of the most visible ways we do this is through higher government statements, such as White Papers, strategic reviews or updates and major speeches. These opportunities allow for the communication of the central and enduring features of the alliance and its benefits. Defence also conveys the message using modern media, such as the Internet, to reach those members of the public who might not normally see higher policy statements. One simple way to achieve public knowledge is to ensure ready availability of alliance related material (Defence and the Department of Foreign Affairs and Trade White Papers, strategic updates, press releases, speeches) on Government and Defence websites.

2.44 The committee seeks additional comments on the following matters:

- **What are the advantages that could arise for the parties of the ANZUS alliance if New Zealand was ‘welcomed’ back into the alliance?**
 - **What are some of the advantages arising from increased tri-nation defence exercises and increased information sharing?**

Australia acknowledges the positions of both the US and New Zealand regarding port visits by nuclear powered ships and ships carrying nuclear weapons, and recognises these issues are matters for the governments of both nations. Australia would, of course, welcome New Zealand being more active in the ANZUS relationship, while the state of the US-New Zealand relationship has not in fact prevented Australia from working effectively with New Zealand to enhance regional stability. Through the *Closer Defence Relations Framework* and the 2003 Joint Statement, the Australian Defence Force (ADF) ensures sufficient interoperability with the New Zealand Defence Force (NZDF) through bilateral exercises, personnel exchanges and training. The results of this interaction have been demonstrated by successful coalition operations with New Zealand in the Solomon Islands, tsunami relief operations, East Timor and Bougainville.

Australia values highly New Zealand’s involvement in regional operations, in which our interaction at a tactical level is coordinated and complementary. In our view, New Zealand would benefit from increased defence exercising and information sharing with the US to improve the capacity to conduct intensive high-end capability operations. But New Zealand’s involvement in these types of operations, and the means to ensure such a capability was developed, are strategic decisions for the New Zealand Government. There is a direct correlation between New Zealand’s strategic force posture and capability and their ability to contribute to combined exercises and operations.

3.21 The committee seeks additional comments on the following matters:

- **Is Australia's force structure adequate for its current and future roles as part of the US alliance?**
- **Have Australia's recent contributions of air, maritime and niche special forces squadrons adequately met our alliance responsibilities?**
- **If more can be done to enhance Australia's force structure, what are the key capabilities that should be enhanced?**

As the Committee's issues paper identifies, Australia's defence objectives, strategy and doctrine determine force structure. The current Defence Capability Plan (DCP) accurately reflects the alliance roles identified in the Defence White Paper 2000 *Our Future Defence Force* and our most recent Strategic Guidance: *Defence Update 2003*. Minister Hill has announced that Defence will be undertaking a new Strategic Review, *Defence Update 2005*, during 2005.

The ADF has contributed to a number of recent US-led coalition operations with the successful deployment and integration of air, maritime and special forces squadrons into US-led operations in Afghanistan, Iraq and the Arabian Gulf. Australia's value to the US in this area depends primarily on our maintaining high levels of interoperability with US military forces. This is achieved through the participation of the Services and Defence agencies in numerous forums with the US and an extensive military exercise program. The US has appreciated the contribution made by Australia in recent operations and continues to seek ADF support. Special forces, ships, transport aircraft, P-3 and air combat elements are prominent examples of 'niche' capabilities, but the ADF can contribute to numerous combat and combat support roles. Australia's recent deployment of the Al Muthanna Task Group (AMTG) to Iraq is a good example.

Defence places particular emphasis on personnel exchange and liaison positions with the US. Australia is one of the few nations whose military personnel can be fully integrated with US forces and who have been entrusted with operational control of US military personnel. An ADF officer currently holds the position of Commander Task Force 58, which directs around ten coalition warships and 2000 personnel in naval operations in the Arabian Gulf, and Australian officers have previously directed coalition (including US) air operations at the Combined Air Operations Centre.

3.38 The committee seeks additional comments on the following matters:

- **Is the ADF adequately meeting the challenge of achieving effective interoperability with the US?**
 - **As technology costs increase and there is an increased emphasis on network centric warfare, will the ADF be able to maintain sufficient levels of interoperability with the US and at what cost?**
 - **What impact will technological developments have on ADF equipment acquisition?**
 - **What are the key capabilities where the ADF cannot afford to fall behind?**
 - **Has the ADF placed too much emphasis on achieving interoperability with the US at the expense of interoperability between Australian forces?**
- **Does Defence, in seeking high levels of interoperability with the US, place too much emphasis on acquiring US defence equipment?**

Recent coalition operations in the Middle East have demonstrated Australia's very high level of interoperability with the US. Our air combat assets, P-3 and C-130 aircraft, ships, Special Forces and land forces have all integrated effectively into larger US force elements. Ongoing senior and working level dialogue ensures that our platforms are fitted with key interoperable systems and Defence staff are trained appropriately.

The focus on interoperability has been advanced through the Australia-US Ministerial Meeting (AUSMIN) Operational-level Review (OLR) of interoperability between the ADF and US forces. As the Committee has previously been advised, a Strategic Level Review (SLR) was initiated at AUSMIN 2001 and, at AUSMIN 2004, Ministers agreed a Statement of Interoperability Principles to drive the implementation of the OLR and its 95 recommendations. As forecast to the Committee, Defence established an Office of Interoperability to oversee SLR and OLR implementation. The Office provides quarterly updates to Defence Service Chiefs and Government.

Meeting Australia's interoperability objectives.

Through Australia's senior dialogue with the US and bilateral forums on defence capability such as the AUSMIN Defence Acquisition Committee (ADAC), we are able to discuss our priorities for interoperability and technology acquisition. While transformation of US forces will pose a challenge for Australia, the SLR and OLR process will assist in managing interoperability with the US, including costs of technology.

Defence considers a variety of technological solutions when determining optimum capabilities for the ADF. The Defence Science and Technology Organisation (DSTO) monitors emerging technologies, and DSTO staff members embedded within Defence's Capability Development Group evaluate the benefits and risks associated with technological developments. Through initiatives such as Rapid Prototyping Development and Evaluation, Defence aims to ensure that the procurement cycle can keep pace with the increasingly faster rate of technology evolution. Forums at the working level also ensure we standardise, where appropriate, our capability development with emerging US technologies. In Air Force, for example, these forums include the *Air Senior National Representatives* and *Air Standardisation Coordination Committee* meetings.

Key ADF capabilities.

While some level of interoperability is required for all ADF capability, specific capabilities where the ADF needs to maintain the highest levels of interoperability include:

- Joint Battlespace Management, Command and Control.
- Combat identification and common operating picture. Collaboration is imperative to ensure Australia is protected from friendly-fire incidents when operating with the US or as part of a combined US force.
- Communications and information systems. There are currently some differences in tactical communications capability between Australian and US ground forces. Projects are being progressed to ensure fully compatible communications systems are procured for the land forces.
- High-end warfighting capabilities (major ships, armoured vehicles, air combat assets).
- Intelligence exchange.

Australian and US interoperability priorities.

Given the US technology edge, increased interoperability can greatly enhance ADF capability. But decisions about priorities for better interoperability are guided by Australia's priorities. This also applies to acquiring US defence equipment. Defence considers all equipment projects on the basis of value for money. For example, the decision to partner with the US on the Joint Strike Fighter (JSF) program was based on the F-35 being the aircraft that showed greatest potential for meeting Australia's broad capability needs in the future rather than just interoperability reasons. Defence acquisition decisions reflect the broad range of options considered by Defence, with non-US acquisition decisions including the MRH-90 troop helicopter, Hawk lead-in-fighter, air to air refuelers and the Tiger armed reconnaissance helicopter.

3.48 The committee seeks additional comments on the following matters:

- **Is the intelligence sharing arrangements between the US and Australia adequately serving Australia's security needs?**
 - **If not, how can the arrangements be enhanced?**
- **Do Australian intelligence agencies exercise sufficient independence in their analysis and assessments?**

Intelligence sharing.

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.

Effective intelligence sharing arrangements have been in place for many years. Despite the already robust nature of the relationship, these arrangements are never allowed to atrophy and the intelligence relationship is as dynamic now as at any stage during the last 50 years. As Australia's military activity has increased over recent years, so has the importance of accessing US intelligence. Based on operational requirements we have refocused our intelligence sharing to match new priorities, while also maintaining our ongoing mutual responsibilities. Australia's efforts to ensure continued access to US capabilities have been matched by US efforts to meet these needs. Similarly, US demands on the Australian intelligence community have also increased.

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.

Independent analysis and assessment.

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 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.

4.18 The committee seeks additional comments on the following matters:

- **What would be the most desirable concept of operation for a combined US–Australia Defence Training Facility?**
 - **What are the outcomes of the most recent negotiations concerning this facility?**
- **To what extent are issues such as ‘National Command’ and ‘Rules of Engagement’ exercised during combined training?**
- **Are the opportunities presented by common software architecture for simulation systems being maximised to ensure the ADF can participate in the full range of US exercises as cost effectively as practical?**
- **To what extent has the tempo of both US and Australian military operations hampered training interaction and will any reduction have a detrimental impact on interoperability?**

Joint Combined Training Centre.

At AUSMIN 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 (SWBTA).

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.

National Command and Rules of Engagement interoperability.

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 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.

Common Software Architecture.

Defence, through the Australian Defence Simulation Office, continues to identify opportunities to enhance simulation capabilities through integrating simulation efforts across Defence (Service-related, and science and technology), which also seeks to save resources and reduce risk. The work includes close collaboration with counterpart agencies in the US, notably the Defense Modelling and Simulation Office and US Joint Forces Command. Where appropriate, Defence examines and often adopts US standards, simulation architectures and systems while adapting them for Defence use. The JCTC is a significant driver of such activities and may result in the adoption of further US standards, simulation architectures and systems. As a result of differences in scale, the adoption of a US approach may not always be applicable, appropriate or affordable for Australia.

Implications of operational tempo.

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

5.51 The committee seeks additional comments on the following matters:

- **How would funding of Australia’s enhanced involvement in the Missile Defence program be absorbed within the current Defence budget?**
- **Should Australia choose not to participate in the Missile Defence program, how could Australia achieve a similar level of deterrence against potential future threats?**
- **What should the Government do to improve domestic knowledge of the US Missile Defence program, and Australia’s current and potential enhanced involvement?**
- **What type of involvement in the program could be provided by DSTO, the private sector, and Australian research institutions?**
- **If Australia chose to have greater participation in the Missile Defence program and had the ability to influence the US strategic position:**
 - **should Australia represent regional issues and concerns?**
 - **If so, what regional interests and concerns should Australia advocate?**

Australia’s involvement in US Missile Defence.

At AUSMIN 04, Australia and the US signed a 25-year Memorandum of Understanding on Ballistic Missile Defence Cooperation, which facilitates the current research projects conducted by DSTO and will provide a framework for any future collaboration. Should Government determine, over future years, to enhance Australia’s engagement in the US Missile Defence Program beyond current limits, Defence would develop funding options through the Defence Capability Plan (for major capital acquisitions) and the Defence Management and Finance Plan (for scientific research and development). These options would need to be assessed against existing Defence commitments, and it could be for Government to decide whether to reprioritise existing commitments or provide additional funds.

Alternative threat deterrence.

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.

Improving awareness of Missile Defence.

Defence is committed to public and community involvement in Defence issues. White Papers, Defence Updates and other similar statements, together with Defence funding of studies centres and think tanks, provide an opportunity to engage the Australian community in the strategic and policy decision making of Government. As Australia’s involvement in missile defence matures, such statements will be used to inform the public about Defence’s engagement and collaboration.

Relevant agencies such as Defence and the Department of Foreign Affairs and Trade make public presentations of the issues involved in our participation in missile defence, as part of this broader

whole-of-Government approach. There are many ways to communicate the Government's message on missile defence and other security issues: through traditional forms of communication (formal press releases, fact sheets, responses to Parliamentary questions) as well as new media opportunities (such as web based presentations).

DSTO involvement in US Missile Defence.

The Government has indicated that one of the objectives for Australia's engagement in the US Missile Defence Program is to provide opportunities for Australian research, development and industry participation. This involvement will primarily be in the areas of Intelligence, Surveillance and Reconnaissance, Battlespace Management, Command and Control, and Information and Communications technologies. Both public and private science and technology involvement will be sought in the research and development activities associated with the program.

DSTO currently undertakes a limited research program associated with missile defence, with a predominant focus on High Frequency radar technologies, and system modelling and simulation technologies. Private sector involvement to date has been mostly via industry support to DSTO studies and trials. Industrial participation has involved early consideration of Australian radar technologies and capabilities.

Regional issues and representation.

The Australian Government consults regularly with regional neighbours on developments in our Defence and strategic policies and outlook. Our dialogue with our neighbours reaffirms the importance of US engagement in the region for regional stability and security, while aiming to reduce concerns over specific initiatives such as Missile Defence. Through its own engagement in the region, the US is aware of regional issues and sensitivities, and through our close relationship with the US, the Australian Government also brings regional concerns to the attention of the US. The Australia-US relationship is robust, and based on shared interests. The strength of this relationship not only allows us to discuss such issues, but also provides an opportunity to highlight differing approaches and outlooks.

6.4 The committee seeks additional comments on the following matters:

- **How is the Australia-US alliance viewed by China, India, Japan and the ROK?**
- **How is the Australia-US involvement in the ‘war on terror’, both regionally and globally, viewed by members of Association of Southeast Asian Nations (ASEAN)?**
- **How has the emergence of non-state threats influenced regional perceptions of the Australia-US alliance?**
- **What can be done to ensure regional perceptions about Australia’s strategic outlook are balanced?**

Regional perceptions of the alliance.

China. As part of our expanding defence and security dialogue with China, we welcome opportunities to discuss with China Australia’s involvement in US initiatives of interest to Beijing. The development of the Australia-China bilateral defence relationship is an important objective of Defence in recognition of China’s current and future strategic influence.

India. India-US defence relations have improved as a consequence of their cooperation in the Global War on Terror. India has expressed no major concerns about the Australia-US alliance recently.

Japan. Both Australia and Japan share a commitment to a strong and enduring US role in regional security and a willingness to support US engagement in the region. In the Japan Defense Agency’s 2004 white paper, Tokyo referred to Australia (along with Japan and the Republic of Korea) as important partners of the US in the Asia Pacific region.

The bilateral Japan-US, and Australia-US alliances provide a degree of common ground between Australian and Japanese approaches to security and defence issues, recently demonstrated by the AMTG deployment.

Republic of Korea. Similar to Japan, the Republic of Korea has no major concerns over the Australia-US alliance as Seoul shares a strong alliance with Washington.

ASEAN: Views of Australia-US involvement in the ‘war on terror’.

Many of Australia’s neighbours share the concerns of Australia and the US about terrorism in the region. ASEAN-member states have suffered as a result of terrorist incidents, and recognise the need to be proactive in combating terrorist networks. While ASEAN members have not always agreed with all elements of Australia’s policy and involvement in global operations in the war on terror, there is excellent cooperation between ASEAN, Australia and the US in the Asia-Pacific region.

Australia has signed Memoranda of Understanding (MoU) on combating international terrorism with ten regional countries (Indonesia, Thailand, Malaysia, East Timor, Fiji, Cambodia, India, PNG, Brunei and the Philippines). These MoUs provide for defence counter-terrorism cooperation and broader initiatives such as consequence management and command and control seminars.

While our bilateral cooperation on counter-terrorism is longstanding, Australia continues to improve multilateral cooperation. Through Asia Pacific Economic Cooperation and ASEAN Regional Forum meetings, Australia shares information on new and evolving threats; exchanges

lessons learned on counter-terrorism techniques, organisational arrangements and equipment; and develops personal networks to facilitate cooperation, especially in the event of a crisis. Australia has encouraged multilateral initiatives in the region to strengthen regional cooperation in the fight against terrorism. For example, the 2004 Regional Special Forces Counter-Terrorism Conference, hosted by Australia, provided a forum to exchange ideas and information between representatives of fourteen countries in the region.

Non-state actors and improving regional appreciation of Australia's security policy.

Non-state actors can threaten all nations in the region, and Australia continues to work collaboratively with regional nations to address this threat. The broad membership of the Proliferation Security Initiative, for example, reflects the shared interest of many nations in controlling WMD proliferation.

Bilateral and multilateral dialogue across Australian Government departments and through Australian personnel based in the region, are key means to improve understanding of Australia's strategic outlook and to explore new avenues for cooperation. Defence's program of training and exercising with regional nations also builds relationships and rapport towards a common understanding of each others' security priorities and is invaluable in support of regional security contingencies.

7.25 The committee seeks additional comments on the following matters:

- **Is the Australian Government providing sufficient assistance to Australian defence industry in its quest to win business in the large US military market?**
- **Has Australia's very good relationship with the US Executive level of Government extended to the legislative level of Government where licensing processes are managed?**
- **Does Australia need a full suite of industry capabilities or should we seek niche roles?**
- **Is our own Defence Department doing enough to support leading edge Australian industry capabilities such as the fast catamaran?**

Assistance to Australian defence industry.

There are several policy and program initiatives aimed at assisting Australian defence industry to break into the highly competitive US military market.

Defence uses its considerable buying power to encourage US firms to involve Australian companies in major defence acquisition programs and to ensure, to the extent possible, that cost-effective support is provided in Australia for equipment acquired under these acquisition programs. One such development, the Australian Industry Capability Program (discussed below), will require prime contractors (including US companies) to identify how Australian defence industry will be given opportunities to bid for subcontractor work in the contractor's global supply chains.

US collaborative acquisition programs such as the JSF program are also instrumental in getting Australian industry into US global supply chains. Defence works closely with the Department of Industry, Tourism and Resources, Austrade and other departments as necessary to maximise industry opportunities arising from such programs.

Apart from these policy and program initiatives, Defence provides direct support for industry missions that promote Australian technologies in the US. For example, two missions undertaken to market Australian technologies into the US Littoral Combat Ship (LCS) program resulted in a number of companies being invited to bid on elements of the program. Austal Ltd, a leading edge Western Australian shipbuilder, was subsequently chosen to provide one of the prototype designs for the LCS.

Defence also supports the identification of Australian technologies that might be eligible for trial under the US Foreign Comparative Testing Program. Since 1991, the US military has tested 29 Australian technologies, five of which have been acquired by the US Defense Department.

To assist further in the international marketing of Australian companies and Australian technology, Defence has developed an International Marketing Package under the banner of *Team Australia*. This export facilitation package will be used at US trade shows and future missions. The package presents these technologies against industry sectors and functional sectors that align with current US materiel requirements and interests.

Management of licensing processes.

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.

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

A special category of defence export licensing known as the Embassy Licenses has also been established for Australia (as well as NATO countries and Japan) to facilitate speedier licensing of key supplies required by the ADF. The US State and Defense Departments also expedite the processing of licenses for US defence exports in support of coalition operations.

Australian industry capability requirements.

Defence policy for Australian industry 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. In essence, Australia does not seek to develop a fully self-sufficient suite of industrial capabilities; rather, the focus is on those critical capabilities that are needed in support of ADF operational capability and military self-reliance.

To this end, the Government's policy for defence industry, articulated in the 2000 Defence White Paper *Our Future Defence Force* and the various defence industry Sector Plans, reflects the need for cost-effective, ready and reliable industry support for the ADF. 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.

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.

Defence to support leading edge Australian industry capabilities.

Defence works closely with Australian industry to achieve a sustainable and competitive defence industry base that is able to support a technologically advanced ADF. This is done by focussing on the key leading edge capabilities that are deemed critical to sustaining the operational effectiveness of the ADF, and by ensuring that Australia is self-reliant in critical industrial capability areas. Defence aims to achieve these outcomes by drawing on Australian industry capabilities in the

acquisition and support of ADF capabilities, and through facilitating exports and Australian industry's integration into global supply chains.

The Australian Industry Capability (AIC) Program is a major tool for developing and sustaining required industry capabilities. Like its predecessor, the Australian Industry Involvement (AII) Program, the AIC Program will focus on providing stability of work to Australian industry through the better identification of critical industry capabilities, and the smoothing of Defence demand and longer term contracts where this is appropriate and feasible. In return, Defence expects industry to make long term investment in Australia's defence industry base, including increased investment in skills, capabilities, research and development, and the development and nurturing of small-to-medium enterprises.

Building on experience in programs such as the JSF, and initiatives such as the US LCS program, the AIC program will require companies tendering as prime contractors for Defence acquisition projects to outline strategies for promoting Australian capability overseas, and for integrating Australian companies into global supply chains. This requirement seeks to take advantage of the fact that these prime contractors are often subsidiaries of international global primes.

In addition to acquisition programs such as the AIC Program (and the Team Australia initiative discussed above), Defence has a number of other domestic initiatives aimed at supporting leading-edge Australian capabilities. These include:

- the Capability Technology Demonstrator Program (funded at \$26m per annum), which seeks to explore the Defence application of innovative leading edge indigenous technologies;
- the Unsolicited Innovative Proposals scheme which directs innovative capabilities and equipment solutions to key stakeholder areas in Defence for evaluation and potential acquisition; and
- a number of DSTO programs aimed at working collaboratively with Australian industry on emerging leading edge technologies and capability solutions.